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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. 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 before economic shifts have an impact on city fiscal conditions,

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**

From this strategic planning session, elected officials developed twelve major goals for the fiscal years 2009/10 and 2010/11. On January 16, 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. The following are the Goals, Vision and Progress in each of these Strategic Planning areas where we have accomplishments and where we are proposing funding in the next fiscal year.

Fiscal Year 2011/12 Goals

Infrastructure
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. In 2011/12 we have received grant funding in the amount of $475,000 for 3 sewers- Prospect from Devon to Rosemont (new relief sewer), Grace from Frances to Granville (new relief sewer), and Glenview from Hamlin to Dee (replacement of combination sewer).

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 Watershed Infrastructure Improvement Plan that the City has been following since last year has been adjusted. Northwest Park, the first priority park where two little league ball diamond areas would be utilized for storm water detention, was met by concerns of the Park Ridge Parks District. The proposed area has regular recreation programming and there was anxiety about how long baseball practice and games would lose their use of the ball diamonds as the result of a rainstorm event. As a result, staff recommended to the City Council to alter the priority projects and move the North Park project to the forefront. This Park does not have any regular recreational programming and is utilized as a neighborhood park for occasional kids soccer practice. A preliminary design is ready and a legal agreement between the City and the Park District is being prepared for the consideration by both governmental bodies. It will be ready for the elected officials consideration in February and then the design engineering will begin. It is anticipated that this project will be completed during the 2011 construction season providing flood relief to 70 residential homeowners in the area.

The Watershed Infrastructure Improvement Plan:

Program	**Category**	**FY 2010/11**	**FY 2011/12**	**FY 2012/13**	**FY 2013/14**	**FY 2014/15**	**FY2015/16**
Vactor Truck	One-Time	$303,000					
Lining & Rehabilitation	On-Going		$310,000	$310,000	$310,000	$310,000	$310,000
Sewer Study	One-Time	$400,000					
Design-North Park/Burton	Capital	$180,000					
North Park/Burton Construction	Capital		$1,910,000				
Design-Country Club	Capital		$50,000				

Country Club Construction	Capital			$550,000			
Design-NW Park	Capital			$165,000			
NW Park Construction	Capital				$1,725,000		
Design-Mayfield Estates	Capital				$85,000		
Mayfield Estates Construction	Capital					$865,000	
Design-Lahon						$50,000	
Construct Lahon							$550,000
Total		$883,000	$2,270,000	$1,1025,000	$2,120,000	$1,225,000	860,000

Last year, City Council authorized and the City purchased a Vactor truck that is used to spray a high-powered jet stream of water on the inside wall of our sewer lines. This water jet cleans the walls of the sewer line and pushes any debris and roots from one sewer manhole to the next where the Vactor truck sucks up the dirty water for disposal rather than accumulating at the base of that manhole. Originally, Public Works had anticipated and promoted the purchase of a sewer televising camera that would be used to televise the sewer lines following the water jet cleaning by the new Vactor truck. The Public Works Department re-evaluated that $70,000 purchase and recommended not purchase of this equipment to the City Council. This was not to suggest that this effort is not worthy to view and evaluate the condition of our sewer lines to determine a repair or replacement schedule, just that it was an expensive proposition that they wished to review. What is proposed in this budget is $20,000 to be used to contract out the televising to evaluate the true need based upon the results of this contractual effort. Based upon these results, in future fiscal years, we may recommend anything from no contracting up to again, suggesting purchase of our own televising equipment.

The City has contracted with Burke Engineering to do a citywide sewer study. The results of this study may include additional sites where the City should direct flood relief efforts and that might change the current plan by adding some projects and reprioritizing our efforts. I have included in the proposed budget a total expenditure of $30,000 to be equally shared by the water and sewer funds to contract a professional financial firm to conduct water and sewer rate study once the Burke report has been received by the City. This study will take into account the cost of any additional proposed projects but more importantly, examine the method of “pay-as-you-go” for these flood relief projects vs. the efficacy of a bond to fund all of our projects and construct them as soon as possible.

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.

We have dedicated an average of $310,000 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 became a self-sufficient enterprise fund relying on sewer fees for it’s total revenues. This year the City received State grant funding in the amount of $475,000 for 3 sewer projects planned for construction for 2011/12: Prospect from Devon to Rosemont (new relief sewer), Grace from Frances to Granville (new relief sewer), and Glenview from Hamlin to Dee (replacement of combination sewer).

Until this study is complete, our “pay-as-you-go” sewer funding will require a $7 per month, per customer increase in the rates. Last year City Council decided that they preferred a rate increase based upon consumption rather than a flat dollar amount for each customer. Should you again decide to go that route, the sewer rate would increase from the current $1.22/thousand gallons to $1.71/thousand gallons of water consumed. The Administration awaits your guidance on your preference to cover these expenses and we will prepare a proposed rate increase according to your desire.

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. Last year we changed our policy. The City will not subsidize the cost of replacing "voluntary" sidewalks; sidewalks that are 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 programs.

Progress: 1,051 mandatory sidewalk squares were replaced along with 151 under the 100% voluntary program. 5 miles of City owned streets were resurfaced.

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. The women's locker room is totally inadequate. 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. Just this week, the office area shared by 5 investigative officers had to be emptied to address an air quality test that came back showing different types of mold growth on the walls.

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 General Fund operating revenues equal operating expenses. In recent 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 – 2010. "MFT" is an acronym for Motor Fuel Tax and "HMR" means Home Rule Sales Tax. Please note the variances

Fiscal Year	MFT	% Chg	Sales Tax	% Chg	HMR	% Chg	Income Tax	% Chg
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%)
2009/10	$1,026,000	3%	$3,500,000	(8%)	$1,550,000	10%	$3,626,000	9%
2010/11	$833,000	(19%)	$3,500,000	0	$1,400,000	(10%)	$3,122,100	(14%)
2011/12	$1,000,000	20%	$3,600,000	0	$1,470,000	5%	$2,950,000	(6%)

Progress: Management has been extremely careful to budget conservatively. In this 2011/12 budget, a 5% property tax increase, increasing sewer rates and adopting increased ambulance transport fees pursuant to the Fire Department's analysis and recommendation are proposed.

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, the tree canopy is restored and improved, parking is improved, the Uptown streetscape is completed, and the Library meets current needs.

Progress: A schedule showing all recommended capital improvements for the ensuing six fiscal years is part of the yearly budget process. Even during these times of economic distress, the City Council has included essential capital improvements in the budget. As our fiscal position improves, we will dedicate additional funding towards these efforts. The capital budget shows outside grant funding agencies that the grant requests we make of them fit our plan to improve our city that improves our competitive position with other grant applicants.

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: Council recently adopted a new Higgins Road Corridor plan as part of the City's Comprehensive Plan for the area that will provide a long-term vision for the corridor.

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 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.

Progress: Redevelopment spans several years. Tax Increment Financing, Special Service Areas, and Grant Funding can facilitate development. The 2011/12 proposed budget includes funding of the streetscape design in the Uptown area (ITEP grant partial funded)

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 audience includes 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.
- Created a Shop Local Campaign (website, email) and Social Marketing Campaign to attract shoppers, diners and visitors to Park Ridge.
- Kiosks throughout Uptown promoting local events and encouraging "Shop Locally"

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 developed a brochure that provides information on all of the social service organizations in the City, the services they provide with contact information. This is the second year that the Community Health Commission has sponsored "The Biggest Loser" weight loss program offering classes on healthy diet and group support to residents. Due to the shortfall of revenues this year, there is no funding for community groups in the budget.

Way We Work

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. Promote an organizational cultural mindset that we are here to assist residents. Don't just tell then they *can't* do something, offer ways we *can* meet their needs and desires.

Progress: In fiscal year 2009/10, staff began a major revision of the city's web page. This current year we went live with our new web page offering a multitude of additional options and information. The City now posts on the website a video of all City Council meetings, Committee of the Whole meetings and Budget meetings. A major component of implementing this vision is "Citizen Request" module, which permits residents to enter their request or concern and receive immediate verification of receipt and eventual follow up. We have currently been able to respond to almost all of these requests within 48 hours. This gives the city the ability to track the types of requests and concern and be pro-active to alleviate or anticipate an issue. We have already added information to the website such a FAQs, in response to Citizen Requests.

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.

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 last year 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. 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. Staffs in the CP&D department are doing cross training of job responsibilities to assist each other during times of the year when there are increased demands due to the construction season.

The City Council also 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 enhances and respects Park Ridge's heritage and older neighborhoods.

Citizens voluntarily installed holiday lights when the $46,000 cost of installation was cut from the budget. In 2010/11, we should consider installing LED lights on storefronts. This creates an attractive environment that would stimulate the holiday business sales and be an ecologically efficient display.

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.

Progress: We held our first Committee of the Whole workshop on January 12, 2009. Since that time, the COW has been meeting twice monthly. We need to change the Municipal Code and the City Council Procedure Manual to reflect this change in procedure.

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 and Sewer Fund are 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

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! This budget is prepared with a number of economic assumptions*

- Consumer spending is expected to pick up, but to lag overall growth. A modest rebound in both employment and wages, plus a cushion in saving, all suggest new strength in consumer spending. Pent-up demand for new cars and trucks has been building to the point that older vehicles now cost more to service than to replace.

- Housing has fallen so low that it has almost nowhere to go but up, so it is expected to become a driver of growth. Low mortgage rates, more realistic pricing and rising comparable rents have all combined to render the marginal costs of home ownership lower than renting. Inflation: Expected to remain tame through the end of 2010, inhibited by excessively high unemployment.

- Business investment is forecast to grow at a double-digit pace, outperforming most sectors. Rebounding profits, robust cash flow, easy credit (for large companies) and strong exports make up the primary reasons for optimism. All of these gains are expected to be concentrated in purchases and upgrades to equipment (mostly new technologies.)

- Inventories are expected to create a slight drag on growth because under-stocked shelves have been replenished, so now producers can shift back into maintenance mode.

- Government spending represents the primary headwind to growth. The push provided by fiscal stimulus has nearly played out, while state and local government spending is expected to stabilize after enduring brutal budget cuts during the last two years.

- The trade deficit is expected to narrow, as growth abroad (particularly across the developing economies) continues to outpace that in the U.S.

*Source: Mesirow Financial, December 16, 2010 Newsletter, Diane C. Swonk, Chief Economist and Senior Managing Director

The phrase that has been bandied about in discussions about the economy this past year is the phrase: "The New Normal". However, this phrase itself is not new. In 1920, Warren G. Harding campaigned for President on a *"Return to Normalcy*" by which he meant the prosperous isolationism of the pre World War I era. In 1939, a decade into the worst economic slump in American history, New York City Mayor La Guardia remarked*: "We must realize that it is not a temporary depression but a New Normal and adjust ourselves accordingly"* That year, New York's Central Park was filled with people living in tents.

"The old normal, whatever it was at the time, just doesn't stick around very long," said financial and business historian John Steele Gordon recently. A Bloomberg *Businessweek* magazine article on the year in review for 2010 quotes Wells Capital Management chief investment strategist, James Paulsen, *"Characterizing this as the New Normal is a misnomer and misdirection".* Paulsen notes, pointing out that the current economic recovery is actually stronger than the last two (in 2001 and 1991) in terms of profits, real gross domestic product growth, and job creation, even though employment remains unusually depressed. He notes that companies are making money, though they're still not spending much of it.

So the question is how will the economy and the "New Normal" whether you believe it or not, affect the revenue stream for Park Ridge this next year. There was recently very important legislation adopted by the State that will affect this equation and the ability to predict the impact of that legislation. Early January 2011, the lame-duck session of the State Legislature adopted an income tax increase for residents and business. The legislation does not provide municipalities with any share of the increased taxes. The legislation does, however, seek to maintain the shared revenues at their current levels. The distributions to LGDF are as follows:

- From February, 2011 through January, 2015, the distribution is 6% of the net revenue received from the 5% individual rate and 6.86% of the net revenue received from the 7% corporate rate;
- From February, 2015 through January, 2025, the distribution is 8% of the net revenue received from the 3.75% individual rate and 9.14% of the net revenue received from the 5.25% corporate rate; and
- From February 2025 and thereafter, the distribution is 9.23% of the net revenue received from the 3.25% individual rate and 10% of the net revenue received from the 4.8% corporate rate.

A potential problem is that this distribution scheme fails to account for a situation where the income tax rates could be reduced by State spending limits. The legislation attempts to maintain the status quo for the Local Government Distributive Fund distributions. It gives municipalities a lower distribution percentage of a higher tax rate in an effort to maintain the same level of funding. The legislation also provides for a mechanism for the tax rates to revert to current levels if the State overspends, but it does not provide for a mechanism to restore the LGDF distributions to their current levels. Therefore, if the tax rates fall due to the State's overspending, then municipalities will have a lower distribution percentage of a lower tax rate. For example, if the individual tax rate reverts to 3%, then instead of receiving 10% of the 3% rate (under the status quo), municipalities would receive only 6% of the 3% rate. In that case, municipalities will lose out on LGDF money.

The Auditor General is required to make various spending reports and, if the State spending exceeds the limits, then the General Assembly or Governor may act to reduce State spending to the authorized spending level. If the General Assembly or Governor does not Act, then the income tax rates revert back to their present levels of 3% for individuals and 4.8% for corporations.

Potentially troubling for municipalities is the fact that the definition of "State spending" appears broad enough that it may include shared revenue to municipalities. The legislation caps State spending at specified dollar amounts. The definition of "State spending" could be broad enough to include the payments for State shared revenues through LGDF, sales tax collections, or Motor Fuel Tax. If that is the case, if the State spends too much on other items, it may be prohibited from making the tax sharing distributions to municipalities.

Additionally, the legislation allows the Governor to declare a contingency reserve of moneys that would exceed the State-spending limit for that year. If the definition of State spending includes State shared revenues, then, the Governor appears to be authorized to reduce or delay the amount of shared revenues to local government.

While the State unemployment rate dropped from a high of 11.3% in January 2010 to 9.3% in December, our future income tax is no longer solely dependent on these improved statistics. As you can see, where historically our income tax share came from individuals earning a living, now we are also dependent to a degree on the performance and income of the business community in the State.

Income tax, State sales tax and Home Rule sales tax revenue sources are those that grow or shrink with the economy. There are typically 4 types of forecasting utilized for these types of economy dependent revenues: expert, trend, deterministic and econometric. We can do trend analysis, but in this most recent economic downturn we rely mostly on others that utilize all of these methods. Although we review national trends reported in the *Wall Street Journal, Governing Magazine and National League of Cities website,* we rely mostly on Illinois reporting agencies. These include the Illinois Commission on Government Forecasting & Accountability (CGFA), which is the bi-partisan commission that both the state Legislature and Senate rely on for financial predictions. They formed this commission as a check against the Governor's Office of Management & Budget (GOMB), which is an administrative office of the Governor. The Illinois Municipal League also forecasts cities revenues.

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. Park Ridge is highly dependent upon automobile sales for sales taxes – automobile sales account for approximately 40% of sales tax receipts – it is our hope that the Meisrow Financial prediction that there is a pent up demand for new auto purchases is true.

Pursuant to the Dempster TIF revenue sharing agreement with the Bredemann's, the City keeps the first $150,000 sales tax revenue then the next $400,000 in sales tax is rebated and the City keeps any amount above that total of $550,000. Last year, General Motors revoked Bredemann's Chevrolet dealership and their inventory dropped to nothing. This year, GM and Bredemann's reached a long-term agreement that they will continue to have a dealership at their location.

Edward H. Boss, Jr., Chief Economist for the State Legislature fiscal office of the Commission on Government Forecasting and Accountability said in December 2010*, "The economy appears to be on an upbeat path as the New Year begins despite a continuing high unemployment rate and a modest economic recovery that officially has been underway since July of 2009. Most encouraging have been signs of improved consumer spending, which generally accounts for about two-thirds or more of total spending in the economy."* He further stated, "*The key to sustained healthy gains in consumer spending most likely will be dependent on an improving job picture. Here there are some signs of hope as initial filings for unemployment insurance fell at year-end to the lowest level* *since July 2008. This together with improvement in temporary jobs, a precursor to full time employment, may be a sign of some improvement in employment numbers in the year ahead."*

These predictions for a stronger overall economy and our 2010/11 historical trend on recent Sales and Home Rule Sales Tax lead me to propose revenue figures for Sales and Home Rule Sales Tax the same amount as last year: $3,500,000 for State Sales Tax and $1,400,000 for Home Rule Sales Tax.

Income Taxes
Income Tax revenues to Cities in Illinois are calculated based upon income per capita (each $1 times 37,775 population). Fiscal year 2009/10, the actual total was $79.38. The revenue projection adopted in the budget for fiscal year 2010/11 was $82.65 per capita. Last year's predictions were as follows:

	Income per capita (each $1 times 37,775 population)
CGFA	$81.68
GOMB	$83.59
IML	$77.00
City Manager	$82.65

*Note CGFA and GOMB use the State fiscal year July1-June 30.

This year due to the changes in the distribution, the CGFA and GOMB do not have any prediction as of today. Based upon our income tax revenue for the current fiscal year, the IML has been closest to the actual revenues. Despite the change in formula for calculating the income tax revenue, the Illinois Municipal League believes that the impact of these changes will be neutral and they are standing by their estimate of $80.00/capita for the Local Government Distributive Fund. I have utilized this estimate in the proposed budget however, with a further reduction that the Federal Census will return a reduction in March reducing our City population of 900 residents (based upon 2009 census estimates) to a total of 36,875 cutting an additional $72,000 out of the projected income tax revenues. This totals $2,950,000 for a reduction of $172,100. This potential reduction in the population of the City will affect all State shared revenues based upon a per capita distribution.

Utility Taxes
We budgeted $4,341,000 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: $2,232,000 for gas and electric utility taxes, $345,000 for water utility taxes, and $1,764,000 for telecommunications 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 $755,000. 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). In the past, the City has built in anticipated revenues for large development projects that never began. This year's projection is $145,000 less than last year yet the City has never received less than $800,000 in the past several years. Therefore, I believe this is a safe prediction for next and future years.

Property Transfer Taxes
Property transfer activity continued to drop lower than expected. Housing sales are not expected to increase next year so there is a reduction of $70,000 to $430,000 revenue.

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
Last year the City of Chicago increased the water charges to the City 15% and we increased our rate to customers by 5%. This year, there is no increase charge from the City of Chicago. With a dramatic increase in fees proposed for the sewer charge to fund our Watershed Infrastructure Improvement Plan, there is no proposed increase in water rates. Again, I am proposing that $15,000 be expended from the water fund and another $15,000 from the sewer fund, for a rate study to address the long-term solvency of this fund.

There is one capital replacement of the south pump house roof replacement at a budgeted cost of $40,000 and

Four proposed capital projects totaling $560,000. At the end of the 2011/12 fiscal year, the water fund will still have an annual operational deficit of $545,500 next year.

Other Income
The Fire Department conducted a survey of ambulance billings that other cities charge for their response calls to determine where our current charges are in comparison. We have mutual aid agreements with all of these communities and they all charge the same amount. I am recommending that the City increase our rate for an EMS response call to the rate of our neighbors. Fire Chief Zywanski sets the following reasons forth:

- The basis for the proposed Ambulance Rate increase is as follows.
  - Park Ridge Ambulance Rates have not changed since 2006
  - Neighboring communities of Park Ridge on three sides have increased their ambulance rates to be equal to each other community. This facilitates equal patient billing when bringing in a mutual aid ambulance and when sending one of their ambulances mutual aid to another community.
  - Although Medicare and Medicaid rates are fixed, billing higher rates to private payers and third party insurance will yield higher net collections.
  - I would suggest as a measure to somewhat reduce the impact of the proposed increase on resident transports, a policy can be implemented with the billing company (Andres) that amounts above what is reimbursed by a resident's third party insurance carrier, Medicare or Medicaid, are not pursued for further collections.
  - Non-resident patients billed amounts would be pursued fully as is the current policy.

This of course includes the continued City Council policy that we only charge the Medicare approved allowable reimbursement for those who fall under Medicare. As a result, the proposed budget included a revenue increase of $500,639. With an increase in revenue and our billing company charging a percentage fee, we will pursue a reduction in the billing rates or go to bid for ambulance billing which should further reduce our costs.

Rental Income
The City rented the former Public Works Service Center to NICOR. They have moved out and the City is proceeding with a Request for Proposals to sell and develop the site.

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:

2010 Levy	Library	Garbage	IMRF	General
$16,153,200	$3,953,000	$3,620,300	$932,400	$3,335,300

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

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 Illinois Municipal Retirement System (IMRF) covers all non-Police or Fire employees who work 1,000 hours per year. This is a statewide retirement system that has there own Board and makes the determinations what each City must contribute as a percentage of payroll each year. The City has been notified that there will be a 7.6% increase in our contribution rate as a percentage of payroll for fiscal year 2011/12.

How a City budgets for solid waste removal is a philosophical issue. Some Cities charge a monthly fee that shows up on the water and sewer billing and others levy a tax. Park Ridge has always taxed which allows residents to deduct that local tax off of their federal tax deductions (if you qualify).

Fund Balance

General Operating Fund

The City's unrestricted general operating fund balance as of April 30, 2010 was $7,667,000. Estimated future fund balances are $7,569,000 as of April 30, 2011, and $7,639,000 April 30, 2012. The April 30, 2011 fund balance is based on revenues of $28,326,745 and expenses of $28,256,608. This will contribute $70,137 towards the fund balance April 30, 2012.

Medical costs will increase this year for the City, as it will for all employers. The Federal Patient Affordability Care Act requires that all medical coverage have minimum levels of specific benefits. Local government medical coverage typically has higher levels to begin with, therefore, we will not have as much of an increased cost as other employers. Last year, to keep our expenditure the same, we doubled the deductible amount per person on the policy, which in some cases amounted to a $3000 increase for employees. The budget contains an 8% increase. This estimate comes from our insurance consultant, but the actual increase will not be available until Blue Cross/Blue Shield provides the experience history for the last year and that information will not be available until April. In the meantime, more than half of the States in the Union so far, have joined in a lawsuit against the Federal Government saying the law is unconstitutional and violates people's rights because it requires people to buy health insurance by 2014 or face penalties.

The City's target general balance at year-end is a range between four and six months of operating revenues (33%-50%) 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).

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

Water Fund

Amount - $545,500

The City of Chicago increased water rates to the city of Park Ridge and other communities by 15% January 1, 2008 and 2009. Chicago increased water rates by another 14% on January 1, 2010. The city of Park Ridge raised water rates 6.7% May 1, 2008, 5% on May 1, 2009 and 5% on May 1, 2010. Although one position was eliminated last year and capital projects were cut in half, the rate increase was not enough to cover future needed operating and capital costs. The rate study proposed should present a long-term plan for City Council's consideration.

Sewer Fund

Amount - $810,000

The Sewer Fund was just established last fiscal year supported 100% by user fees. The proposed construction project of North Park will place the fund in a deficit position until the following year when the next project is not anticipated to be as costly. We anticipate that the rate study will recommend a fund balance policy guideline along with rates to minimize mid year borrowing between City funds for construction projects.

Uptown TIF Fund

Amount - $210,000

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. The only time that the Administration recommends using this fund for any expenditure, until reimbursements to the General Fund are made, is for matching funding for grants. We have a $400,000 grant for the Uptown planning and $80,000 is our share. This was in last year's budget and the grant will not move forward until next fiscal year so it again appears in FY 2011/12. In addition to the payments to the school districts made annually, is the reimbursement of last year's deferred payment of $180,000.

Library
Amount – Estimated under $100,000
The Library will decide on their capital needs expenditures once they know their 2010/11 fiscal year balance. We anticipate almost a $300,000 fund balance to be added to their existing 49.5% fund balance. Whether they wish to utilize some of this fund balance for capital costs next year is a policy decision.

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 5% property tax levy, water rate increase, sewer fee increase, and a 1 cent 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 expenditures continue to increase there will be no other option than to further reduce services.

EXPENDITURE SUMMARY

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.

Last year the City had to lay off 16 employees and we were required to fund 100% cost of the unemployment benefits. $362,000 was budgeted last year for this expense. This fiscal year, the number of those laid off that remain eligible for unemployment benefits has diminished and we are budgeting $40,000 for the next fiscal year. Based upon the current economic conditions just outlined, there is no recommendation to increase the workforce next fiscal year. However, no cuts in manpower are recommended for FY 2011/12. You will see in the following comparison to other area Cities, that we have one of the lowest ratios of City employees per 1000 residents.

CITY	***EMPLOYEES/1000 RESIDENTS***
Winnetka	12.6
Lake Forrest	11.7
Evanston	10.0
Northfield	9.5
Highland Park	8.5
Northbrook	8.0
Niles	7.8
Wilmette	7.5
Skokie	7.2
Glenview	6.7
Morton Grove	6.7
Arlington Heights	6.0
Des Plaines	5.9
Mount Prospect	5.7
Deerfield	5.7
Park Ridge	***5.7***
Buffalo Grove	5.5

Last year, in an effort to reach compromises that would save the layoff of several union positions, the City and unions worked together to try to minimize the impact of negotiated wage increases. We were successful in some cases and unsuccessful in others. However, the employees represented by bargaining units have received a minimum of 4% wage increases over the last two-year period while non-union employees have not received a wage increase since May of 2008. This has created wage compression where now promotion to Sergeant pays barely more than top pay for an Officer. As a result, the impact of this was seen when in December 2010 when the Sergeants in the Police Department formed a collective bargaining unit. The City is currently in negotiations with all of the union groups for a period beginning May 1, 2011. I am proposing a 3% wage increase for non-union employees for fiscal year 2011/12. There is no money in the proposed budget for a wage increase for union positions.

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

<u>Municipal Waste</u>. We will levy $3,801,000 in property taxes for garbage collection expenses next year. 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 $3,317,000 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.

<u>Pension</u>. The employer contribution rate to the Illinois Municipal Retirement Fund (IMRF) increased from 13.42% to 14.59%. The City's contribution to the Illinois Municipal Retirement Fund is determined on a calendar basis. The 14.59% consists of two numbers: 11.96% + 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.

Although the percentage contribution rate increases, the number of full time employees has decreased creating a net neutral effect.

Major legislation that became state law January 1, 2011 was modification to Police and Fire pensions. New hired employees will be receiving benefits that will reduce future contributions by the City to fund those benefits. This portion of the legislation will have minimal impact on our contributions until there is turnover and retirements of the existing workforce. Some of these include:

- normal retirement age of 55 (currently age 50);
- early retirement at age 50 with a 6% reduction for each year prior to age 55;

- pensionable salary cap of $106,800 indexed to 1/2 % of the CPI-U;
- final average salary calculated using the last 8 of 10 years (currently final day's salary);
- survivor benefit of 66 2/3% of pension earned at date of death (currently 100% of pension); and
- cost-of-living adjustments beginning the year after a retiree or survivor turns age 60 with annual increases equaling the lesser of 3% simple or 1/2 of CPI-U (currently 3% compounded each year after pension becomes payable).

However, the legislation does have an immediate financial impact in a number of ways. The following are those changes to the pension law that will have an immediate impact on the contribution that the City contributes annually:

- 30-year closed amortization period with a funding target of 90% by the end of 2040 (currently expires in 2033 with a funding target of 100%)
- State-shared revenue diversions to pension funds beginning in 2016 equaling the difference between the employer contribution and the required actuarial contribution. Municipalities can use their own actuary to determine the required contribution. Three year phase-in with up to 1/3 of state-shared revenue diverted in 2016, up to 2/3 in 2017, and up to the full contribution difference beginning in 2018.
- Changed amortization methodology for the City of Chicago police and firefighter pension funds;
- Expanded investment authority including corporate bonds for all funds and greater equity investments for funds with assets of at least $10 million; and
- 5-year smoothing of actuarial gains and losses.

Pursuant to Governmental Accounting Standards, police and fire pension contributions are accounted for in the general operating fund. Both the Park Ridge Police and Fire Retirement System Boards have completed their actuarial analysis for 2010 and determined a contribution level that the City Council would levy adequate millage in December 2011 for collection in Spring and late fall of 2012. The following chart provides a history of the contribution rates for both systems:

Police Pension Fund Contributions	**2007 Levy**	**2008 Levy**	**2009 Levy**	**2010 Levy**	**2011 Levy**
December Levy	$980,600	$1,421,000	$1,561,500	$1,821,300	$2,002,567

Fire Pension Fund Contributions	**2007 Levy**	**2008 Levy**	**2009 Levy**	**2010 Levy**	**2011 Levy**
December Levy	$715,900	$1,133,900	$1,428,400	$1,769,600	$1,875,739

Based upon these actuarial determinations, the City is required to contribute and additional $106,139 to the Fire Pension Fund and an additional $181,267 for the Police Pension Fund. The effective date of the new pension law for purposes of the amortization period change from year 2033 to 2040 and the percentage change from 100% to 90% does not go into effect until March 23, 2011. The Pension System actuary has provided an initial estimated reduction of close to 20% less than the current City contribution rate proposed by the Pension System Boards. The only way that the 2010 contribution can be changed and reduced is to have other current assumptions altered. The two main controllable assumptions, other than the amortization period determined by State law, are the investment earnings rate and the anticipated percentage wage increase earned during the career of an employee. I have met with the Police Pension Board this week and will meet with the Fire Pension Board next week to request they adjust the anticipated earnings rate to 7.5% based upon the new investment options they can utilize and change the future anticipated wage increase average to 5%. These changes will reduce the contribution rate to $1,560,000 for Police and $1,400,000 for Fire. A savings from the 2010/11 budgeted amounts of $261,300 for Police and $369,600 for the Fire contribution.

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 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). This 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. Both series are intended to be paid from incremental Uptown TIF property taxes.

All of the above issues are general obligation issues.

Library. In prior years, the City has made a direct general fund contribution to the Library on top of the funding level reviewed by City Council. For a number of years the amount was $100,000. In addition, when the City has increased the property tax levy by a percentage amount, the Library Board has traditionally adopted the same percentage increase. Therefore, a 5% property tax increase for the Library is also proposed.

It is estimated that at the end of fiscal year 2010/11, the Library will have a cash fund balance of $2,693,955. This is 49.5% of their total operating fund. There is also an additional fund balance of $553,000 in their technology fund.

Due to greater needs in the City's general fund and the Library's high level of reserves, this year I am recommending that there be no contribution of $100,000. In addition, I am recommending that the Library proceed with all three proposed capital projects that have been postponed for a number of years utilizing part of their fund balance, to cover a portion of this $395,000 expenditure. This includes a new roof over a portion of the building, replacement of lighting fixtures and carpet replacement. The Library Board policy is to have a 6-month reserve or 50% of their annual budget. After expending their reserves for these projects, the Library will still have a very healthy fund balance within the adopted policy guidelines of 33%-50%.

Water. This budget was prepared to have a deficit in the water fund of $545,500. With a fund balance of $2.6 million, I believe the four capital water projects throughout the City planned next fiscal year totaling $560,000 should move forward and I am recommending that we wait until we have the results of the proposed water rate study and make appropriate adjustments to the water rates at that time.

Parking. Last year there was a proposal to demolish the house next door to City Hall and construct a parking lot at a cost of $205,000. The City may use the parking lot across the street from City Hall to be leased to commuters. There is nothing in the proposed 2011/12 budget for this expense, however, that does not preclude the City from undertaking this project at any time should the City Council decide to proceed with this project.

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. Many Cities supplement their road construction funds with General Fund dollars. It is a Council policy decision whether or not the Motor Fuel Tax fund should pay back the General Fund.

Uptown TIF Again, last year, the capital expense was to use a $400,000 grant from the State to complete the landscape planning of the Uptown TIF area. This will require a $80,000 budgeted use of TIF funds as our portion of the plan. The funds from the State did not come forward in a timely manner and this expenditure will not occur in the 2010/11 fiscal year, so it appears again in the proposed FY 2011/12 budget.

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.

Estimated revenues from the telephone surcharge are $500,000. The general fund must transfer funds annually to the E-911 fund to sustain operations. The subsidy this year is estimated at $693,200. The amount of this subsidy grows annually. The North Suburban Emergency Communications Center is working on a revised agreement that will change the way all participating communities costs are calculated. Any of the viable alternatives proposed that are in review and discussion at this time increase the annual cost for the City of Park Ridge. I have increased the budget 8% ($97,500) in anticipation of an increase during the next fiscal year. A recommendation on an amended agreement between all of the participating cities will be presented to the City Council soon after the start of the fiscal year.

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 employed a consulting firm to review the operations of the E-911 center and the resulting improvement and efficiency measures will be implemented.

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.

There are no planned contributions to the City computer replacement fund or motor equipment replacement fund. There is a fund balance of $3,600,000 in the motor equipment fund and $1,600,000 in the computer replacement fund. This should be sufficient for next year; however, this is a source of concern in the Motor Equipment Replacement Fund. The financial projection indicates the City may have difficulty in future years with replacement of major equipment like Fire apparatus.

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. We plan to replace 365 trees as part of our annual reforestation program.

As a result of the feedback received from the Mayor and City Council during our review of the General Fund Capital Plan back in December 2010 and the need to rebuild our General Fund balance, we limited the number of proposed projects.

All funds combined capital expenditures for next year total, $3,940,200 (without water projects)

General Fund

- $105,200 for reforestation
- $95,000 for sidewalk replacement
- $60,000 for City Hall roof replacement
- $30,000- The age of the computer software utilized to prepare this proposed budget has far outlived its effectiveness. This money will purchase budgeting software that will integrate with the other operating systems used by the Finance Department.
- $30,000 for communication interface for the Fire Department
- $50,000 for concrete ramp replacement where trucks exit at Fire Station #35

Water Fund

- $30,000 for roof replacement at the South Pump Station
- $560,000 for water main replacement on Higgins, transfer of connections on Higgins from a 6-inch to a 12-inch main line, Brookline/Kathleen-valve removal and replacement plus miscellaneous minor projects.

Sewer Fund

- $475,000 in grants for 3 sewers- Prospect from Devon to Rosemont (new relief sewer), Grace from Frances to Granville (new relief sewer), and Glenview from Hamlin to Dee (replacement of combination sewer).
- $1,910,000 for the construction of the North Park project
- $50,000 for design of retention pond at Park Ridge Country Club
- $310,000 for annual sewer construction and lining

Uptown TIF

- $400,000 for streetscape plan ($320,000 is a grant, $80,000 from General Fund)

Library

- $110,000 for flat roof replacement
- $125,000 for replacement of light fixtures
- $160,000 carpet replacement

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.

COMPARABLE COMMUNITY SURVEY

PER CAPITA EXPENDITURE COMPARISON
JANUARY 2011

Adjusted budget includes total municipal budget, including MFT, Library, and garbage service. Items excluded are Park Districts, Electric Utilities, Sanitary District, Community Development Block Grants, Bus Service, Performing Arts Centers, Airparks, Capital Projects financed from Bond Proceeds, Tax Increment Financing Districts and Employee Retirement Contributions.

2011 RANK	MUNICIPALITY	ADJUSTED BUDGET	POPULATION	COST OF GOVERNMENT PER CAPITA	2010 RANK
1	Evanston	195,581,758	77,857	2,512.06	2
2	Niles	64,046,809	30,063	2,130.41	1
3	Schaumburg	156,998,814	75,386	2,082.59	3
4	Naperville	245,032,723	144,560	1,695.02	4
5	Downers Grove	84,010,465	49,681	1,690.99	6
6	Arlington Heights	123,934,244	76,943	1,610.72	8
7	Glenview	62,500,000	44,000	1,420.45	
8	Des Plaines	81,324,197	58,710	1,385.18	9
9	Park Ridge	49,316,800	37,775	1,305.54	11

The survey shows that, out of nine communities, Park Ridge was the lowest in per capita spending. The average cost per capita of nine neighboring communities was $1,758. The cost of government per capita in Park Ridge was $1,305. The Budget Summary section shows a comparison of Park Ridge's spending per capita to other communities.

Contingency Budget

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.” Beginning with fiscal year 2009/10 and continuing into this proposed budget, the general operating budget 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.

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

If you are an economist reviewing national statistics, the recession is officially over, but the pace of the recovery is painstakingly slow as indicated by income tax receipts, building permits and property transfers. The General Fund in this proposed budget is balanced according to the desires of the Mayor and City Council. It addresses the financial needs of the core product that we produce for our residents, which are services. It also continues to provide funding for roads, sidewalks, and other infrastructure replacement needs of the community while contributing to the build the financial reserves in accordance with Council policy.

I want to thank the employees, both the non-union who have sacrificed two years of any wage increase and organized labor groups, who also negotiated compromises to maintain staffing levels and understand the financial difficulties and struggles of the City the past few years. They have all been very compromising regarding the continued need to 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,

James D. Hock

James D. Hock
City Manager