

**VILLAGE OF NEW LENOX
EXECUTIVE SUMMARY
COMPREHENSIVE ANNUAL BUDGET REPORT**

FISCAL YEAR MAY 1, 2003 - APRIL 30, 2004

In compliance with the Illinois Revised Statutes and the New Lenox Municipal Code, the Village proposes the adoption of its Fiscal Year 2003-04 (May 1, 2003 - April 30, 2004) Annual Budget. The following is an overview of the budget process and a summary report highlighting the major areas of the FY 03-04 Comprehensive Annual Budget Draft.

What Is A Budget?

The Village of New Lenox budget is a plan for the expenditures (spending of money) and revenues (receipt of money) for the fiscal year beginning May 1, 2003 through April 30, 2004. The Village expends money from approximately 34 funds or accounting centers such as the General Fund, Motor Fuel Fund, Water Fund, etc. Departmental operations are financed through these funds. There are approximately 120 revenue sources for the 34 funds.

The Budget Process

The following steps lead to the development of the budget:

Departmental Budget Preparation (Draft)

The Department Heads assemble the various departmental budgets under their area of responsibility. Their first draft is one that depicts the funding levels that are necessary to continue basic service levels while highlighting new or expanded service levels and capital requests. The Administrator reviews this draft.

Revenue Projections, Trial Balances

The Administrator assembles all of the departments' adjusted basic service level requests, as well as all revenue projections, and runs a "trial" balance for all funds. From the trial balance, he analyzes fund balance reserves and notes any surplus.

Departmental Budget Preparation

The Administrator again meets with Department Heads, now knowing trial balance information, and reviews requests for additional priorities, capital acquisition, and service increases. Collectively, a determination is made to include requested items in the departmental budget or incorporate the request in the discretionary items for Village Board consideration. The rule of thumb is that new expenditure items that improve, enhance or are needed to perform and maintain current service levels are included in the departmental budget. All additional items are submitted for Board consideration. These items are valid request but change service levels or are of a lower priority capital nature.

Board Review and Policy Direction

Upon assembly of the entire document, the budget is presented to the Village Board for review. Numerous meetings with the Board, Administrator and Department Heads occur at this point. The Board actively discusses the financial position of the Village, offers fund level policies and revenue criteria, reviews the departmental budgets, and sets salary adjustment levels. All major financial policy determinations are developed at this point. The Board's direction is then incorporated into the preparation of the final "draft" of the budget.

Public Review & Hearing

A notice is published in the local newspaper, advising residents that the Village's proposed budget is available for public review at the Village Hall and a public hearing is going to be held on the budget on a specified date. The notice appears in the paper a minimum of ten days prior to the public hearing.

Adoption

Upon conclusion of the public hearings and inclusion of any modifications as a result of the hearing, the Village Board adopts the budget.

THE FINANCIAL BIG PICTURE

FY 2003-04 again finds the Village in the midst of many major projects. These projects will be paid for out of various funds within the Village of New Lenox's budget. There are two major construction projects at the wastewater treatment plants. Construction continues on the WWTP #3 and the expansion of WWTP #1 this budget year. Bonds were received for the WWTP #1 expansion. The Village secured an IEPA Loan for the construction of WWTP #3. Besides the two major treatment projects mentioned, there are additional sewer and water projects included in this budget. Among these projects is the Gougar Road pump station. Additionally, sewer line extensions to WWTP #3, Kerasotes Theater and casings under I-355 are budgeted. Some water projects included in this budget are water main replacements at various locations in the Village and many water main extensions including those along Route 6, Cedar Road, Francis Road, Gougar Road and Summerfield Road.

Another major project included in this budget is the New Lenox Commons project. This project will continue to be a primary focus including this summer's construction of the performing arts pavilion and park development. A benefactor has offered to fund the basic structure construction leaving the various amenities such as lighting, seating and sound to be funded by the Village. We will also begin construction of the interior park improvements as well.

Major roadway construction projects will be initiated this fiscal year. Among the projects, an obligation of the Village's Cherry Hill Industrial Park annexation agreement is the improvement to Haven Avenue. Additionally, projects for the improvement to Gougar Road/Haven Avenue intersection and the Michaels access road are included in the budget. The Village continues to secure grant funds to finance these projects. The Village plans to purchase the right-of-way for the Cedar Road bridge project this budget year.

Finally, architectural design for a new village hall will be completed during this budget year.

Although these projects result in many financial commitments, the benefits to the community including expected commercial and industrial growth ultimately outweigh the overall cost.

The following summarizes the Village of New Lenox's Budget in total.

BUDGET GRAND TOTALS

(All Funds)

5/1/03	Est. Fund Balance s	\$32,727,554
	Revenues	\$34,661,158
	Expenses	<u>\$46,746,826</u>
4/30/03	Projected Fund Balances	\$20,641,886

These figures include fund to fund transfers, loan proceeds, debt service and capital projects.

The net operating budget does not include fund to fund transfers, loan proceeds, debt service or capital projects. The net operating budget is summarized below.

NET OPERATING BUDGET

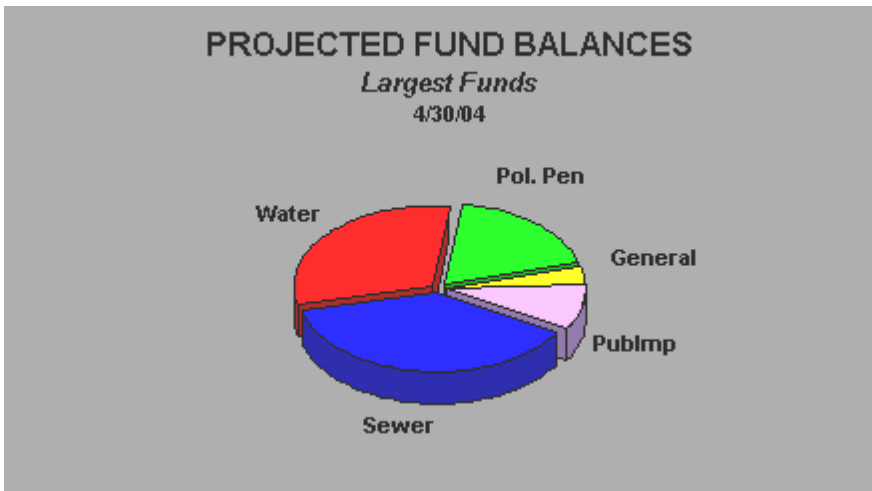
(All Funds)

Revenues	\$17,792,120
Expenses	\$15,160,472

As indicated above, the net operating budget is balanced.

This year's largest categories of projected 4/30/04 fund balances are as follows:

<u>(in Thousands)</u>	
Sewer	\$ 7,686
Water	\$ 6,222
Police Pension	\$ 3,752
Public Improvements	\$ 1,874
General	\$ 725



Specific Issues:

- (1) (1) General Fund: As you know, General Fund is one of our most "sensitive" funds in that unlike enterprise funds such as Water, Sewer, or Commuter Parking Lot, there is no singular "user revenue charge" to generate dedicated revenues. General Fund is a composite of some fifty separate revenue sources ranging from intergovernmental taxes to licenses and permits to fines and charges for services. Capturing revenue from growth generates much of the increased income. Sales tax, which accounts for approximately 30% of the general fund revenue, is expected to increase approximately 5%.

The building, development and engineering fees generated some \$1,250,000 last year and we're projecting this figure to grow to \$1,300,000 for FY 03-04. There are some growth related revenue enhancements included in this budget, which will be discussed at the budget work session. These growth-related fees have become a larger percentage of the General Fund revenues than in the past with the decrease of other revenue sources such as state derived income tax. Although the total property tax revenue increased this year, the General Fund did not see as great of an increase because more funds were needed in the mandated pension funds. Additionally, upon the completion of the special census, which is scheduled for the summer 2003, the increased population is expected to increase income tax, use tax and motor fuel tax. Unfortunately, due to timing of special census certification, these increases will not impact this budget year's revenue but will impact the FY 04-05 budget. Once certified though, the annual increase to these revenues is expected to be \$330,000, of which the General Fund would see approximately \$240,000. Overall, General Fund revenues are

projected to increase \$193,497 this year. As stated above, there are some revenue enhancements included in this budget. The Finance Committee has reviewed and endorsed these adjustments. However, the implementation of these adjustments will require Village Board approval. This will be a subject of discussion during the review process.

Expenditures are projected to increase about \$576,283 over FY 02-03 authorized budget. Four departments, Community Development, Engineering, Police and Streets, have noteworthy increases to mention. The Community Development budget includes two studies this fiscal year. The Route 30 Corridor Plan, \$50,000, and the Transit Oriented Development Study, \$75,000, are included in this department's budget and both are funded by grants. The Engineering and Street Departments budget increased significantly due to an accounting change. In the past, some salaries were split among these departments and the enterprise funds. This year, 100% of the personal services are charged in these department budgets but are reimbursed to the General Fund in the form of a revenue line item. This new revenue line item is called Shared Administrative Costs Reimbursement and is included in the General Fund budget to reflect these shared costs. From an accounting policy standpoint, this more accurately reflects the true sharing of costs with the utility departments. The Police Department budget increased \$297,085 from the previous year. This increase is directly related to personnel costs. A conservative approach was used when figuring the union salaries and benefits since the negotiations will not be resolved until after the budget is approved.

The most significant departmental expenditure decrease is the Board of Trustees budget. One major reason for this is that the FY 03-04 budget reflects a final, much smaller, principal and interest payment to Jewel/Osco. Because their sales were higher than the projections in the original annexation agreement, the Village was able to pay down the principal faster. As a result, the debt schedule was reduced three years with this being the final year of repayment to Jewel/Osco for the funding of the public improvements along Nelson Road and Route 30.

Most of the other General Fund department's expenditures have had a slight increase. The Village's General Fund has an estimated 4/30/03-fund balance of \$1,176,461 and a projected 4/30/04 balance of \$724,787. Although the fund balance is projected to decrease at the end of this fiscal year, the operating budget is balanced, with General Fund operating revenues of \$6,908,029 and operating expenditures of \$6,732,505. The decrease in overall fund balance can be attributed to several one-time expenses. These factors when combined results in the \$724,787-4/30/04 General Fund Balance. The rate of growth of the General Fund revenues has however been flat in recent years. Commercial economic development is absolutely critical to improve the General Funds position.

	<u>BUDGET 03</u>	<u>ESTIMATE 03</u>	<u>BUDGET 04</u>	
Bal. 4/30	\$2,107,888	\$2,107,888	\$1,176,461	
Rev.	\$5,832,002	\$5,894,532	\$6,908,029	
Exp.	<u>\$6,783,420</u>	<u>\$6,825,959</u>	<u>\$7,359,703</u>	Bal. 5/1
\$1,156,470	\$1,176,461	\$724,787		

As the above table indicates, revenues did meet budget expectations, but the expenditures exceeded the amount budget in last fiscal year (one expenditure which exceeded the budget is the special census which was budgeted at \$40,000 and came in at \$97,000 for the first installment). Overall, the General Fund balance is a slightly larger coming into this fiscal year.

We traditionally have tried to maintain a two to three-month reserve fund balance in General Fund. Using next year's operating expenses a two-month reserve is \$1,122,084. As you can see, our projected 5/1/04 fund balance is less than the 2-month mark. It will be noted that conservative revenue projections were used especially for building permit activity. Only two industrial permits are expected in this budget. Because commercial and industrial building activity cannot be easily predicted, one might think the related revenue is understated. It is noteworthy to mention that a single large commercial or industrial building permit could easily generate \$75,000 to \$100,000 in fees and have a significant impact on the General Fund budget. However, we watch with great interest as the

State of Illinois looks for ways to improve its bottom line. Thus far, the state has not proposed to balance their books on the backs of the cities and villages, but this remains a concern. As the above table indicates, although revenues did not meet budget expectations, the expenditures came in below budget in last fiscal year resulting in a larger projected fund balance coming into this fiscal year.

- (2) (2) Other Funds to Note: Garbage Fund continues to show a negative balance. One reason for the growing deficit is the contract addendum for one additional month of “free to residents” yard waste hauling. With growth, this deficit should decline in future fiscal years.

The Motor Fuel Tax Fund will incur a one-time \$50,000 administrative cost for the portion of the special census relating to the MFT revenues. MFT will benefit significantly from the results of the special census. This expenditure is allowable under IDOT regulations. The MFT fund balance remains healthy at \$560,000.

The Roadway Capital Improvements Fund shows a negative fund balance of \$515,931. This is due to the required matching funds needed for the grant related projects. As these projects are initiated, fund will be loaned or transferred as the board dictates. Commercial and industrial growth should follow once the major improvements are completed. Future revenues to this fund will in time offset this negative balance.

The Pre-1997 Public Improvements Fund and Public Improvements Fund shows a healthy fund balance of \$1,710,917 at the end of FY 03-04.

Sewer Operations & Maintenance reflects an operational deficit of \$1,621,371, most of which is a result of prior year rates not meeting expenses and some one-time expenses. The sewer and water rate study should help determine if the current sewer rate of \$1.75/1000 gallons needs to be increased to reduce this deficit.

The Lake Michigan Water Fund will be closed at the end of FY 03-04. Included in this fund is a transfer of \$2,200,000 to the Water Capital Improvements Fund for future year system improvements. The remaining fund balance of \$1,518,829 will be transferred to the Water Operations and Maintenance Fund for rate stabilization.

The General, Motor Fuel Tax, Public Improvements, Village Hall Improvements and Water Capital Improvements Funds are carrying capital reserve fund balances for future capital projects.

BUDGET HIGHLIGHTS

The following section provides a brief overview of the highlights of this year's budget:

A. Construction Projects

1. 1. New Lenox Commons-- Construction continues this budget year for the New Lenox Commons. The Village plans to design and construct the performing arts pavilion and park. OSLAD and DECCA grant proceeds will help fund these improvements.
\$1,495,910
2. 2. WWTP #1 Expansion -Following the recommendations of the Facility Plan Year 2016, construction for the WWTP #1 Expansion will continue in this fiscal year.
\$4,650,000
3. 3. WWTP #3 Construction—This plant will provide service to the North Area of the Village of New Lenox. This plant will serve 3,000 PE.
\$2,680,000
4. 4. WWTP #2 Expansion Design—Following the recommendations of the Facility Plan Year 2016, design of the expansion of this plant is budgeted for this fiscal year.
\$200,000
5. 5. Village Hall Architectural Design—The design of the new village hall and possible re-design of the existing village hall to accommodate the police department will be completed this fiscal year.
\$550,000
6. 6. Sewer Line Extensions—Two major sewer line extension projects are budgeted this fiscal year. Kerasotes/Grand Prairie Subdivision and the extension to WWTP #3 on the North side of the Village.
\$907,000

7. 7. I-355 Sewer & Water Extension Casings – Constructing four each 36” casings under I-355 for sewer and water utility crossings north of I-80. Work to be performed as part of Tollway Project. This project has been carried forward from the previous budget year.

8. 8. Gougar Road Pump Station—To provide sewer service to the area south on Gougar Road, adjacent to the Cherry Hill Industrial Park.
\$975,260

9. 9. Contractual Road Maintenance Program -- Annual road asphalt overlay program.

10. 10. Water Main Replacements – Replacement of these water mains are necessary with the introduction of Lake Michigan Water. They include Central Road (Cedar Road to Ogden), Joliet Highway (Pine Street to Ogden), Wisconsin (Illinois Highway to Michigan) and Prairie Road (Joliet Highway to Illinois Highway). These projects were carried forward from the previous fiscal year.
\$669,182

11. 11. Water Main Extensions—These extensions are necessary to provide water service for various sections of the Village. They include Route 6, Cedar Road, Francis Road, Gougar Road and Summerfield Road.
\$3,177,360

12. 12. Paving the Commuter Parking Lot—The project was budgeted in FY 01-02 but was delayed until the completion of the east parking lot. Metra completed the newer lot in November 2001.
\$160,000

13. 13. Road Construction—Construction is expected near the Cherry Hill Industrial Park. Among the projects are the Michael’s Access Road (which will be reimbursed 100%), Haven Avenue Improvements (which is an obligation under the annexation agreement) and Improvements to the Haven Avenue/Gougar Road Intersection. \$1,783,000

14. 14. Land Acquisition—Right-of-Way needed for the Cedar Road Bridge Construction. \$320,000

B. B. Studies

1. 1. Special Census --A need exists for a special census to account for the new growth since the completion of the 2000 census. The special census total cost is approximately \$170,000. This fiscal year amount is the second and final installment. Based on population driven revenues, special censuses could be conducted every 2-3 years.

2. 2. Route 30 Corridor Study – The study plans to review the issue of consolidating the number of curb cuts on Route 30 and assisting local business community with planning issues. This study will be funded primarily with grant funds.

3. 3. GIS Program Development -- The address layer will be added to the Village of New Lenox’s GIS program.

4. 4. Transit Oriented Development –This plan will analyze the types of development most appropriate around the METRA station. This plan is fully funded by the RTA. \$36,300

5. Strategic Planning Session—The Village Board believes it is time to revisit the mission of the Village with the advent of the tremendous industrial and potential commercial growth in the community. The last strategic planning session was performed in 1994. Four of the seven members of the Board of Trustees have changed since this time.

\$7,500

C. C. Equipment

1. Street Sweeper—As part of the equipment rolling stock program, the street sweeper is necessary to replace the 1988 street sweeper. This equipment will be funded by a lease purchase over a 5-year period. (This amount is for ½ of a year's lease payment).
2. Canine Unit—The canine will be used to respond to various law enforcement concerns. The total cost listed includes the canine (\$9,500), the kennel and annual maintenance costs such as food and training.

\$18,150

D. D. Personnel

1. 1 Sewer Laborer— With the construction of WWTP #3 and the expansion of WWTP #1, additional staffing is needed to assist the department with our continued compliance with discharge regulations.

\$51,791