

# *Village of Algonquin*

*Located in McHenry and Kane Counties, Illinois*



*Fiscal Year*  
*2006-2007*  
*Annual Budget*



## **A Glimpse into Algonquin's History...**

*The Village of Algonquin was settled in 1834 with the arrival of Samuel Gillian, the first settler in McHenry County. Other early settlers were Dr. Cornish, Dr. Plumleigh, Eli Henderson, Alex Dawson, and William Jackson. The Village changed names several times in the early days; the names included Cornish Ferry, Cornishville, and Osceola. The name Algonquin was finally selected in 1847 as a suggestion from Samuel Edwards as a namesake for a ship he once owned.*

*The Village was incorporated in 1890 and witnessed both commercial and recreational trade. Algonquin was a favorite vacation spot for residents of Chicago. Nestled in the foothills of the Fox River Valley, Algonquin became known as the "Gem of the Fox River Valley."*

*The first Village Hall was constructed in 1906 at 2 South Main and throughout the years housed fire protection, library, and school services for the community as well as accommodating the municipal offices. The building served as Village Hall until the new Village Hall was completed in 1996. The original building is now called Historic Village Hall and serves as a community facility and meeting location.*

*A highlight in Algonquin's history was the period from 1906 to 1913, when the Algonquin Hill Climbs were held. The event was one of the earliest organized auto racing events held in the United States. Algonquin had a population of about 600 residents at that time and the annual hill climbs would bring crowds in excess of 25,000 to the Village.*

*Over the years, Algonquin has developed into a growing and thriving community, with its solid base of residential and commercial development as well as an expanding industrial/business sector. A tremendous commercial success was witnessed in the fall of 2004 with the opening of Algonquin Commons, the largest lifestyle center in Illinois.*

*Algonquin's population as of a special census in 2003 was 27,885, which has more than doubled since the 1990 census 15 years ago, which recorded a population of 11,663. The Village has grown from a small, rural, farming community to a vibrant urban leader in McHenry and Kane Counties.*

### **FISCAL YEAR 2006-2007 VILLAGE BOARD**

John Schmitt, Village President  
Brian Dianis, Trustee  
Jerry Glogowski, Trustee  
Barbara Read, Trustee  
Robert Smith, Trustee  
John Spella, Trustee  
Jim Steigert, Trustee  
Gerald S. Kautz, Village Clerk

# **Village of Algonquin**

## **Mission Statement**

**The Mission of the People of Algonquin is to  
Foster a Harmonious, Distinctive Community  
with a Strong Sense of Place,  
Preserving its Ecological and Historical Richness,  
Providing a Safe and Comfortable Environment,  
Through a Responsible Use of Community  
Resources, and Developing Ownership and Pride  
in the Community  
through Significant Citizen Involvement in all  
Civic, Social, and Cultural Affairs.**

**To this End, We Will Provide for the Needs of  
Today, Prepare for the Demands of Tomorrow,  
and Remain Mindful and Respectful of the Past.**



**VILLAGE OF ALGONQUIN  
FISCAL YEAR 2006-2007 BUDGET  
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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Village of Algonquin  
Illinois**

For the Fiscal Year Beginning

**May 1, 2005**

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Village of Algonquin, Illinois, for the Annual Budget beginning May 1, 2005. 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.

This 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.

**ORDINANCE NO. 2006-0 - 12**  
**AN ORDINANCE APPROVING THE VILLAGE OF ALGONQUIN**  
**ANNUAL BUDGET FOR FISCAL YEAR 2006-2007**

**WHEREAS**, the Village of Algonquin, McHenry and Kane counties, Illinois, is a home rule municipality as contemplated under Article VII Section 6, of the Constitution of the State Illinois, and the passage of this Ordinance constitutes an exercise of the Village's home rule powers and functions as granted in the Constitution of the State of Illinois

**WHEREAS**, the Village of Algonquin, McHenry and Kane Counties, Illinois, has adopted 65ILCS 5-8-2-9.1 through 5-8-2-9.9 in lieu of passing an appropriation ordinance prior to the end of the first quarter of the fiscal year; and

**WHEREAS**, 65 ILCS 5-8-2-9.4 requires that the annual budget shall be adopted by the corporate authorities before the beginning of the fiscal year to which it applies; and

**WHEREAS**, Ordinance 92-O-82 requires the preparation of an annual budget Ordinance for approval by the Board of Trustees.

**NOW, THEREFORE, BE IT ORDAINED** by the President and Board of Trustees of the Village of Algonquin, McHenry and Kane Counties, Illinois, as follows:

**SECTION 1:** That the Village of Algonquin Annual Budget for Fiscal Year 2006 - 2007, attached hereto and made a part hereof, is hereby approved.


**SECTION 2:** If any section, paragraph, subdivision, clause, sentence or provision of this Ordinance shall be adjudged by any Court of competent jurisdiction to be invalid, such judgment shall not affect, impair, invalidate or nullify the remainder thereof, which remainder shall remain and continue to full force and effect.

**SECTION 3:** All ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict.

**SECTION 4:** This Ordinance shall be in full force and effect upon its passage, approval and publication in pamphlet form (which publication is here by authorized) as provided by law.

Voting Aye: STEIGERT, RUD, SPILL, SMITH, GLOGOWSKI, DIANIS  
Voting Nay: NONE  
Absent: NONE  
Abstaining: NONE

Approved:

  
John C. Schmitt, Acting Village President



ATTEST

  
Gerald S. Kautz

Passed: 04-04-06

Approved: 04-04-06

Published: 04-05-06

Prepared By:

William J. Ganek, Budget Officer  
Village of Algonquin  
2200 Harnish Drive  
Algonquin, IL 60102



Village of Algonquin  
Fiscal Year 2006-2007 Budget

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## BUDGET MESSAGE

- SUPPLEMENT 1: DISCUSSION OF FUNDS, TRENDS, AND INFLUENCES ON THE BUDGET
- SUPPLEMENT 2: IMPLEMENTATION OF THE GUIDING PRINCIPLES
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- ORGANIZATIONAL CHART
- PERSONNEL SUMMARY





# Village of Algonquin

*The Gem of the Fox River Valley*

## BUDGET MESSAGE

**APRIL 10, 2006**

The Village of Algonquin Residents,  
President and Board of Trustees

SUBJECT: 2006 - 2007 Annual Budget

Honorable President and Board of Trustees:

Transmitted herewith is the Village of Algonquin Annual Budget for Fiscal Year 2006-2007. The annual budget represents the single most important policy adopted each year in any organization. This is particularly true in a growing village such as Algonquin, which offers multiple services and programs to its residents. The budget provides information that guides Village decision makers in making allocation choices based on anticipated revenue projections. The budget document is a planned program of expenditures based upon the revenue projections that carry out the Village's scope of services and goals established by the President and Board of Trustees. This budget document is a tool used to assist Village officials in making sound and rational choices regarding the provision of services to the public. The budget document should demonstrate relationships among fiscal entities: 1) revenues and operating programs, 2) taxes and services, 3) employment levels and costs, and 4) community priorities and practical constraints.

To this end six "Guiding Principles" have been established to guide the budget's development and to measure the success of the recommended implementation of the budget.

### **Fiscal Year 2006-2007 Guiding Principles**

The Guiding Principles were established as part of the 2005-2006 budget year process. They have been refined for the 2006-2007 budget as outlined in the list below. The Village aims to focus its time and resources in accomplishing the following objectives:

- MAINTAIN AND/OR ENHANCE CUSTOMER SERVICE AND CITIZEN SATISFACTION

In order to provide the most efficient and effective services to residents, staff should continually **evaluate operations**. This can be accomplished by increasing the consistent focus on customer service through

efficiency studies, training of front line staff, and evaluating roles and responsibilities, and focusing on employee satisfaction, growth, and development foster positive customer service through training, evaluating roles and responsibilities, and implementing mechanisms for promoting effective internal and external communication.

- CONTINUE TO PROMOTE AND FOSTER ECONOMIC DEVELOPMENT

Economic development is instrumental in meeting the following initiatives: offering residents a community in which they can live, work, and play; creating jobs and bringing visitors to our community; providing revenue to fund needed capital projects and other operational programs, and allocating the necessary resources to **the continued development of the Village's economy**, focusing on the Business Park, downtown, Route 62 east corridor, and the mining operations.

- EVALUATE, PLAN FOR, AND IMPLEMENT IMPORTANT CAPITAL IMPROVEMENT PROJECTS IN ORDER TO MAINTAIN THE VILLAGE'S INFRASTRUCTURE AND UPHOLD A HIGH QUALITY OF LIFE FOR RESIDENTS

**Providing adequate infrastructure** throughout the Village is pertinent in order to ensure safe roadways, functional water and sewer systems, and top notch park facilities for residents, businesses, and visitors. Continue to develop and implement **multiyear plans**, including neighborhood capital improvements. Continue to develop and refine the Village's **transportation** network in order to provide efficient and easy access via the Village's roadway system.

- ASSESS ALL VIABLE OPTIONS TO INCREASE/MAINTAIN THE VILLAGE'S REVENUE BASE

Explore grants, storm water utility, and additional economic development. Obtain additional, dedicated revenue sources for funding capital projects. Evaluate projects and operations to find opportunities for **cost savings**.

- CONTINUE TO ALLOCATE THE NECESSARY RESOURCES FOR THE MAINTENANCE OF THE PUBLIC'S HEALTH, SAFETY, AND WELFARE THROUGH A WELL TRAINED AND DEDICATED POLICE FORCE.

Emphasizing and focusing on **public safety, emergency planning, and homeland security** remains a priority. As the number of commercial establishments expands significantly in the Village and the needs of the citizenry fluctuate and expand, more resources must be allocated to this important government function.

- CONTINUE TO PROMOTE AND DEVELOP PROGRAMS WITH A CONSERVATION FOCUS

Promoting and adhering to a conservation mindset and lifestyle has been a priority for the Village over the past several years. Conservation is imperative in order to protect and conserve natural resources, such as water, wetlands, and natural water bodies. Promote and enforce the Village's **water conservation program**, and begin to work with other governments and agencies to address issues of water quality and quantity on a regional basis. Continue to promote the Village's **recycling** program through educational materials and other programs.

In addition to advancement of services provided to our citizens, the replenishment of the three month minimum working capital can be satisfied during this fiscal year and be set on course for growth in the future. The decline of the working capital (cash reserve) occurred due to the reduction of state anticipated revenues over the past five years. The growth in sales and property taxes are resulting in larger increases than the declining rate of state revenues which still remain questionable.

For more information on the guiding principles and how they tie into the budget, please see Supplement Two: Implementation of the Guiding Principles.

## Budget Overview

The Village of Algonquin is currently operating under the budget system as provided for by Illinois State Statutes. This process was adopted in lieu of passing an appropriation ordinance, since under the budget

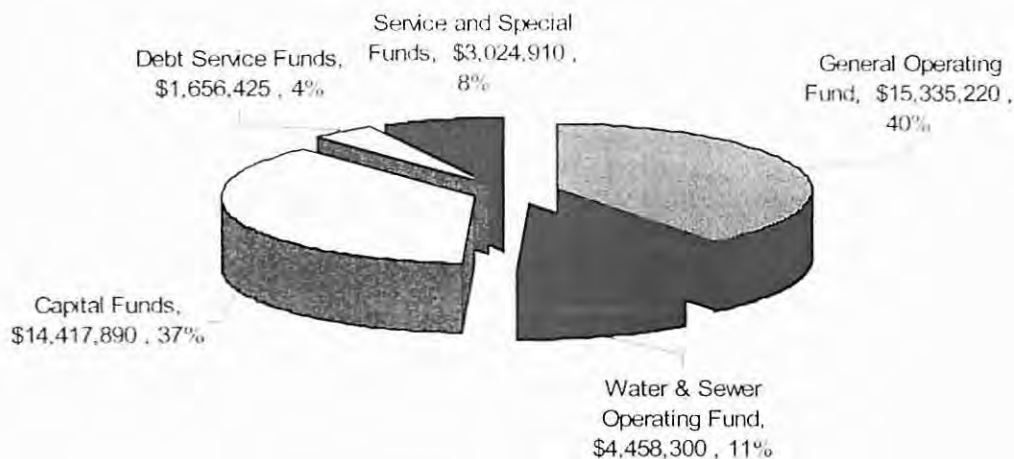
system its adoption more truly reflects anticipated receipts and disbursements. Under State Statutes, the annual budget must be adopted by the corporate authorities before the beginning of the fiscal year (May 1). The President and Board of Trustees of the Village of Algonquin adopted the annual budget for fiscal year 2006-2007 on April 4, 2006.

The budget for the Village is comprised of several funds. The principal operating funds are the General Fund and the Water and Sewer Operating Fund. There are several other funds that can be classified as capital improvement project (CIP) funds, debt service funds, service and special funds. Each fund has specific purposes, which are separated within the budget to account for these defined purposes.

The 2006-2007 budget for all funds of the Village of Algonquin totals over 41 million dollars of expenditures, including transfers. The Village establishes a budget for twenty-two separate funds. These twenty-two funds can be further paired into five major funding groups as seen on the chart below.

### Expenditures by Type of Fund\*

Total: \$38,892,745



*\*Please note that the figures in the above chart show the net amounts; they do not include transfers; also, the Service and Special Funds category does not include the cost of operating the Vehicle Maintenance Division, as those costs are accounted for in the individual General Fund Budgets (costs listed per department). Figures represented elsewhere in this budget message reflect the gross totals for each fund or category of fund.*

The largest fund is the General Operating Fund for the Village at almost 16 million dollars (including transfers) in expenditures. These funds go towards the majority of services provided to the community by the various departments of the Village. The second largest category includes the capital improvement project funds which constitutes over 14.8 million dollars (including transfers) to be allocated towards improvements of the street system, water and sewer system, and parks. The other Operating Fund of the Village also serves as an Enterprise Fund and is the Water and Sewer Operating Fund. This fund consists of over 3.9 million dollars of expenditures (including transfers), and is necessary for the water and sewer distribution and treatment services used by Village residents. Due to their importance and the general operation of the Village, the Capital Funds, General and Water and Sewer Operating funds will be discussed in depth later in this summary. The Service and Special Funds include a total of 3.9 million dollars (including transfers) and consist of various other funds relating to Pensions, School Donations, Cemetery Trusts, Insurance, and the Vehicle Maintenance Service Fund. The last category is the Debt



Service Fund which is over one and a half million dollars and is used to retire debt previously established by the Village.

The 2006-2007 budget, as the previous three budgets, utilize a "constraint budget process" (discussed in the next section) to insure that expenditures do not exceed the projected revenues for the operating budget. Other funds, such as capital funds or debt funds, have reserves established to offset any shortfalls of revenue for any particular year where the expense exceed the revenues in order to accomplish the purpose of those limited purpose funds. The overriding principle for the operation funds is to "live within our means." This principle is followed closely with additional emphasis to enhance our reserves in excess of the 25% (three month). Once this contingency was established in the base budget of the expenditure guidelines for fiscal year 2006-2007, the constraint budgeting process required each department to submit their individual budget maintaining the current level of service provided to our residents. This includes the maintenance of a competitive compensation and benefit package. Using this method of budgeting, the General Fund and Water Sewer Operating Fund budgets support the largest assets of the Village, its employees. Because of revenue growth in both the General Fund and the Water and Sewer Operating Fund budget, the Village was able to maintain the high quality of life for residents and address the increasing service levels based on demand when necessary. Both income tax revenue and the equalized assessed value (property taxes) permitted further enhancements to the budget program. This increase provides the Village with the opportunity to reduce the property tax rate for property owners within the Village.

Efficiency of existing personnel in all departments was emphasized throughout the budget process. Staffing levels remain status quo with the exception of one full-time equivalent in the Information Technology Field and an additional Sergeant in the Police Department. The balance of the budget and any additional revenue projected in this budget went toward added equipment which would help our existing compliment of employees provide more efficient services. Specialized equipment for road shoulder repair, park maintenance, park and play field maintenance, and water and sewer vehicles will be purchased with the idea of providing employees with tools for improved productivity in their respective fields.

Capital improvements over the past several years have been accelerated to satisfy the multi-year capital plans for streets, parks, and water and sewer improvements. As these five year capital plans are reviewed and updated each year, it was determined that the improvements over the next five years are beginning to exceed our capabilities to provide necessary funding. With the analysis of the Village's detailed updated five year capital plan for streets, water and sewer facilities, and parks, the Village Board enacted a home rule sales tax of three quarters of a percent to be applied towards capital facilities and infrastructure identified in the five year plans. To offset the impact of the sales tax on our residents, the utility tax for natural gas was reduced from 4% to 1%. In previous budgets, the utility tax was used for infrastructure improvements and the 1% will remain for that purpose. However, the net effect over the next five years will accomplish more than half of the planned expenditures within the capital improvement program. Existing revenue sources were anticipated to cover most of the remaining expenses needed to satisfy the capital plans. However, the depleted fund reserves from previous budgeted capital expenditures have reached the point where only limited street and park improvements can be accomplished during this fiscal year. By far the largest capital project expected for fiscal year 2006-2007 is the phase 6 expansion to the Wastewater Treatment Plant. This fourteen million dollar project is being partially funded by a water and sewer bond issue which was implemented by the Village Board in December of 2005. The proceeds of this bond issue are to be spent directly on the phase 6 expansion of the Wastewater Treatment Plant. The debt service for the nine million dollar bond issue is also scheduled for payment from future water and sewer connection fees funded by new development that is expected to occur in the future as well as a new home rule sales tax.

## Factors Contributing to Changes in the Budget

Many factors, including policy issues, legislative mandates, and economic conditions, have impacted this year's budget. Several of these factors are highlighted below, and described in further detail throughout the budget document.

### POLICY ISSUES IMPACTING THE BUDGET

The Village Board established many directives that led the design of the budget, including:

- Continued emphasis on the Village's comprehensive water conservation program as well as expansion of the Village's water and sewer systems. Water Treatment Plant No. 3 came on line in 2005, increasing the Village's capacity to provide water to residents. However, water conservation practices will continue. Funding is allocated for development of two additional shallow wells. Also, the Village is taking initial steps (through funding exploratory studies and engineering design) for the deep well expansion to Water Treatment Plant No. 3 for added water capacity.
- Promotion and development of both the Village's Business Park and the downtown area have been a continued goal of the Village Board. This year, additional emphasis will be placed on the Business Park through an enhanced marketing strategy. Downtown efforts will be expanded with the addition of Cornish Park along the Fox River as well as programs to support downtown redevelopment.
- A Special Census will be conducted in the spring/early summer of 2007 to capture additional residential growth in the Village, resulting in enhanced revenues based on the projected population increase. (It should be noted that the impact of the special census on revenues will not be realized until the 2007-2008 fiscal year.)
- Recent bids initiated by the Village have come in over estimate, due to cost increases in the construction industry, especially relating to the higher cost of materials. Infrastructure needs in the Village are increasing to the aging of streets and water and sewer lines. These factors are resulting in a growing gap between capital expenditures and revenues. The Village Board approved a home rule sales tax, elimination of the utility tax, and creation of a tax on therms (described in the budget supplements) in order to narrow this gap.

### LEGISLATIVE ISSUES IMPACTING THE BUDGET

- Increased state and federal requirements relating to improved homeland security issues have made it necessary for the Village to fund upgrades to security at the Public Works facility and all three water treatment facilities. The Police budget also reflects purchases and objectives to meet government homeland security standards.
- The Illinois Environmental Protection Agency (IEPA) and other governmental agencies that regulate environmental issues continue to reevaluate and increase their standards that municipalities must meet or exceed. The budget includes funding for establishment of pretreatment programs that will be required of all businesses that discharge into the Village's wastewater system and that meet certain standards. One urgent issue facing the Village currently is the need to expand the Village's Wastewater Treatment Plant. The Village is approaching IEPA allowable figures for treatment of wastewater, and the plant must be expanded to accommodate new growth in the Village. Funding for this expansion is included in the budget.

### ECONOMIC FACTORS IMPACTING THE BUDGET

- The Village continues to see growth in the commercial arena, with steady addition of retail, restaurants, and other commercial entities along the Randall Road corridor and on the east side of the Village. This development widens the Village's sales tax base, and provides jobs for residents.

- The Village's EAV continues to grow, and the Village's portion of residents' overall tax rate continues to decrease even though Village property tax receipts increase.
- Income tax revenues distributed by the State of Illinois were stagnant and even lagged on occasion over the past four years. Receipts have now stabilized and are starting to show growth.
- Residential growth has slowed significantly over the past year, resulting in decreased community development revenues.
- A new police contract for sworn personnel was approved in the 2005-2006 fiscal year, and a new contract for police civilian personnel is scheduled for approval in the 2006-2007 fiscal year. Both contracts allow for increased salaries for police department personnel.
- Health and liability insurance costs continue to rise, and are consuming larger portions of the budget each year.

## **Constraint Budgeting Process**

The budget for the General Fund for the fourth year followed a "constraint budgeting" process to ensure maintenance of the existing services while enhancing budget goals by department and division in the allocation of the anticipated revenue growth for the Village. In other words, it is the overriding principle of the budget to deliver outstanding service to our citizens at a reasonable price.

The 2006-2007 General Fund budget maintains its conservative projections of revenues and expenditures, and attempts to solve some of the concerns for improved service delivery identified by elected officials, Village staff, and citizens of this community. To maintain this approach, the budget for the General Fund again followed a "constraint budgeting" process. The steps followed in this process were as follows:

1. Revenue projections are made to establish the maximum framework for expenditure limits.
2. Determination of fixed costs for things such as personnel, utilities, and maintenance are placed in each of the departments' budgets.
3. Allocating of the "constraint budget" is made in an amount slightly over the fixed costs determined in step 2 above and well below the revenue projection made in step 1 above.
4. Departments prepare their budget within the constraint guidelines with possible "enhancement" requests over the constraint which must be further justified.
5. Each department budget is reviewed and the enhancement budget requests are evaluated on how they accomplish the guiding principles noted above in step 4.
6. The budget is balanced to assure it is at or below revenue projects (*step 1 above*), finalized, and presented to the Village Board and public for consideration and adoption.

## **Conclusion**

Projected revenues and expenditures are conservative yet realistic, so the implementation of this budget will result in continued improvement in the delivery of services to the residents of the Village of Algonquin. Implementation of this budget must be kept in mind as policy decisions are made throughout the year. With the support of the President and Board of Trustees, and the assistance of the Village staff, this budget can serve as a guide to maintaining efficient and effective municipal services and accomplishing the Village's financial objectives.

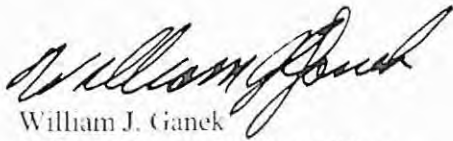
It is essential to carefully maintain the day-to-day operations, but continue to pursue important capital improvement projects. In many cases, these capital improvement projects warrant significant attention in respect to their opportunity to yield future operational cost savings, which enhance the Village's ability to contend with the many pressures upon local government presented by state mandates, tax caps, declining revenue sources, federal mandates, escalating insurance costs, and other demands for new or improved services from our residents.



This budget takes another step in affording the Village of Algonquin the opportunity and capability to initiate the projects tied to growth management of the Village, while maintaining a sound financial base for the benefit of the residents of the community and the improvement of its infrastructure.

For further discussion on the budget, please review the following budget supplements: Supplement One: Discussion of Funds, Trends, and Influences on the Budget, and Supplement Two: Implementation of the Guiding Principles.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "William J. Ganek". The signature is fluid and cursive, with the first name "William" being the most prominent part.

William J. Ganek  
Village Manager Budget Officer

WJG:mfs

# SUPPLEMENT 1: DISCUSSION OF FUNDS, TRENDS, AND INFLUENCES ON THE BUDGET

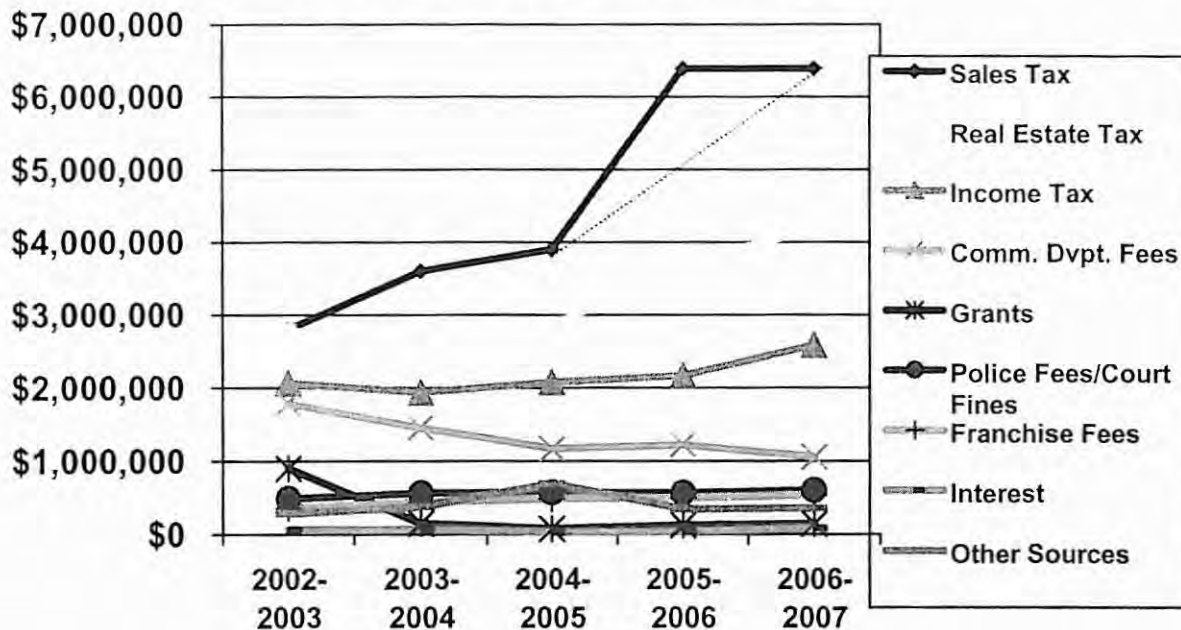
## GENERAL FUND BUDGET OVERVIEW

The annual budget is a financial statement of the goals and objectives for the Village during the fiscal year. These goals and objectives have been assessed and reconfirmed over the past year regarding the delivery of basic Village services. The General Fund budget maintains its conservative projections of revenues and expenditures, and attempts to solve some of the concerns for improved service delivery identified by elected officials, Village staff, and citizens of this community. The budget for the General Fund followed a "constraint budgeting" process to ensure maintenance of the existing services while enhancing budget goals by department and division in the allocation of the anticipated revenue growth for the Village. It is the overriding principle of the budget to deliver outstanding service to our citizens at a reasonable price.

The 2006-2007 General Fund budget projects a 6% increase in revenues and expenditures as compared to the budget for the current 2005-2006 fiscal year.

**GENERAL FUND ANTICIPATED REVENUE (\$15,920,960)** There are many sources of revenue needed to fund a \$16 million General Fund budget. Some of the revenue accounts are predictable based on past trends, while other revenues are dependent on activities that fluctuate from year to year. This section will address the larger revenue accounts and those revenue accounts involving various assumptions and deviations from the 2005-2006 budget.

The following chart shows the budget trends for revenues that support the general fund, by category. Please note that the dotted line shows actual trend of sales tax receipts.



The major categories of revenue line items are as follows:

**SALES TAX - \$6,390,000** - Commercial development activities have increased dramatically from the previous two years within the Village due to recent large retail development projects. However, after the initial commercial development of the Commons, other approved projects have resulted in a slower than

anticipated build out. Therefore, the sales tax growth for the current budget (2005-2006) may fall 10% to 12% less than projected. This deficit of revenue in sales tax should be eliminated during this next year of commercial expansion. Projected sales taxes contribute approximately 40% of the total revenue for the General Fund, and are, by far, the largest revenue source in the General Fund.

Recently approved commercial developments of a significant nature have developed at a slower pace than projected over the past 12 to 18 months. The current budget for sales tax revenue projections may fall approximately 10% - 12% short in the 2005-2006 fiscal year due to slower build out of some of the retail establishments. It is anticipated that this revenue level should be realized during this next fiscal year. However, sales tax is one revenue source that can fluctuate based upon competition from adjacent communities and external economic forces from year to year and should not be completely relied upon as the ever increasing revenue source. The timing of new commercial uses and predicting sales tax to be generated by these new and sometimes competing businesses makes sales tax less predictable as a revenue source (note lower than projected revenue in 05-06 budget).

**INCOME TAX - \$2,582,500** - Income taxes received by the State are based upon the census of population and overall income taxes collected by the State. The economy over the past three to four years resulted in a reduction of the income tax revenue collected by the State. However, recent growth in the State's economy will result in an increase in the share of income tax to the Village. The income tax revenue is projected at a 19% increase from the current budget projection. Income tax consists of 16% of the total revenue for the General Fund.

**COMMUNITY DEVELOPMENT FEES - \$1,056,000** - The revenue from building permits, platting fees and annexation may fluctuate based on the economy and the extent of building activity. However, the decline in residential building permits is not expected to be offset by growth of new development (primarily in the commercial area) this fiscal year. Based on the anticipated pace of building activity, a 13% decrease from the current budget in overall community development fees is projected. Community development fees are estimated to account for 6.5% of the General Fund revenue.

**POLICE AND COURT FINES - \$600,000** - This series of revenue accounts make up the payments from fines, prosecution fees and forfeited funds related to police and court activities plus any reimbursement for police training. These items account for less than 4% of General Fund Revenue.

**FRANCHISE FEES - \$535,000** - These items cover revenues provided to the Village by utility companies for use of the public right-of ways through franchise agreements. This revenue accounts for approximately 3% of the revenue in the General Fund.

**INTEREST - \$85,000** - These revenue line items include interest received from the various investment institutions utilized by the Village. With the notable increase of working capital, there is a certain amount of estimation necessary to project revenue from interest rates that can fluctuate throughout the year. Interest income accounts for .5% of the General Fund Revenue.

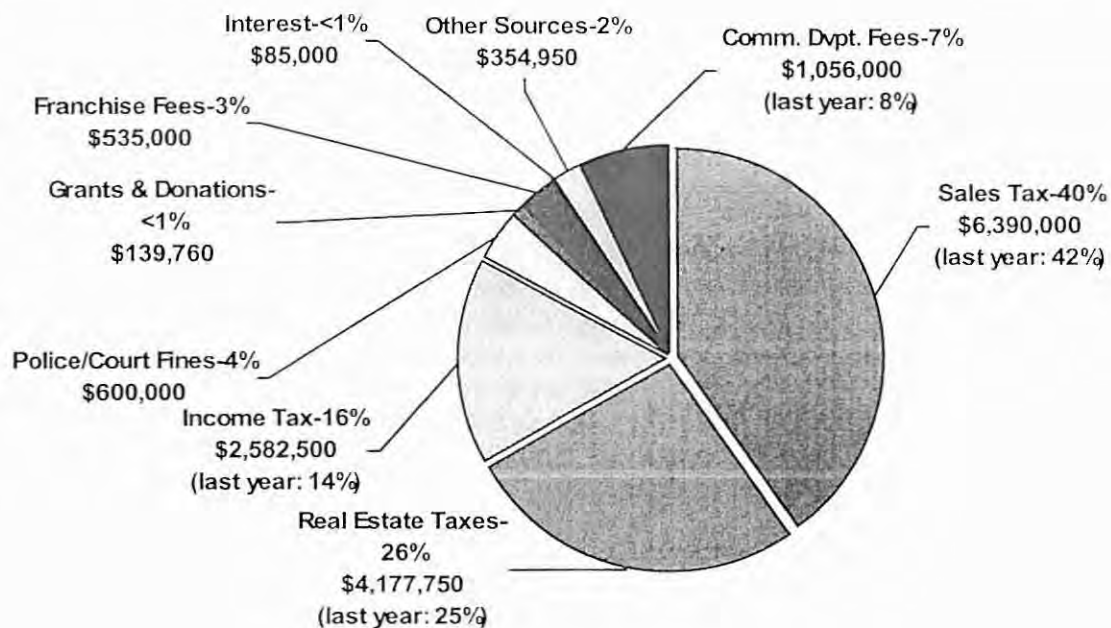
**GRANTS AND DONATIONS - \$139,760** - This line item recognizes the revenue anticipated under the traffic grant program as well as donations for various purposes such as Founders' Days and ecosystem maintenance. The funds available for grants and donations have declined over the years to less than 1% of the General Fund revenues.

**REAL ESTATE TAXES - \$4,177,750** - The real estate tax revenues include the distribution of the real estate taxes as levied. The real estate tax revenue contributes approximately 26% to the General Fund Budget, and is the second largest source of revenue next to sales taxes. Due to the growth of newly developed commercial properties this revenue source has increased 13% from current year projections.

**OTHER REVENUE - \$354,950** - Twenty-one other revenue sources account for the balance of the total revenue stream for the General Fund. All of the smaller revenue accounts together make up 2% of the General Fund revenue.



The following chart shows the breakdown of revenue items that fund the General Fund budget.



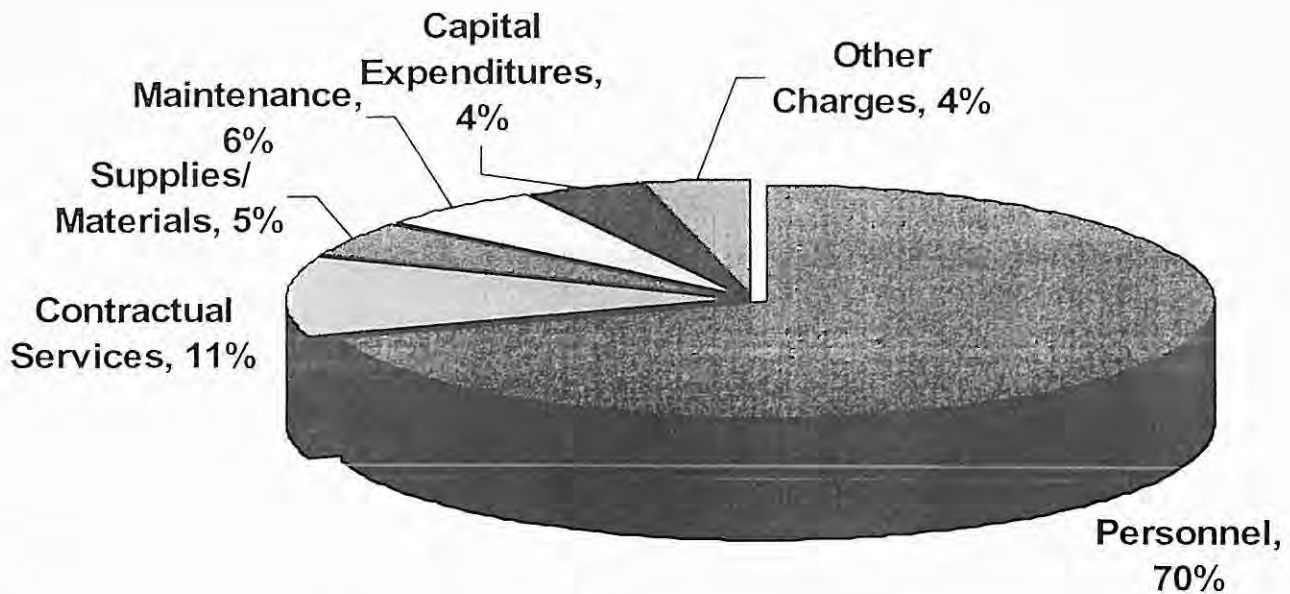
## GENERAL FUND EXPENDITURES

Administration, Police, Community Development, and Public Works are separate Departments funded by the General Fund. Public Works has four distinct divisions of responsibility covered under the General Fund: (1) Streets Division, (2) Parks & Forestry Division, and (3) Public Works Administration. The Water and Sewer Division is also under the Public Works Department, but is classified under the Water and Sewer Operating Fund, and is considered a separate free-standing Enterprise Fund. The Vehicle Maintenance Service Fund is administered through the Public Works Department, but receives its revenue from each department based upon the needs of vehicle and equipment maintenance.

### General Fund Expenditures By Department

Administration	\$2,477,720	16%
Police	\$6,708,370	42%
Public Works Administration	\$850,270	5%
Streets	\$1,975,110	12%
Parks and Forestry	\$1,426,900	9%
Community Development	\$1,169,230	7%
Long-Term Debt	\$113,850	1%
Multidepartmental	\$1,199,510	8%
<b>Total:</b>	<b>\$15,920,960</b>	<b>100%</b>

## General Fund Expenditures by Category



\*Does not include transfers to other funds (debt service, pool, etc.) or long-term debt costs. Adjustments are also made to accurately reflect the effect of the redistribution line items, to adjust for the capital lease purchases, and to include the networking and GIS costs found in the Multidepartmental budget.

### PERSONNEL

This year's budget has focused more on providing improved efficiency of operations than the hiring of additional personnel. Within the proposed General Fund budget, it is recommended that the Village add two full-time employees during this fiscal year. The proposed new staff is as follows:

- Administration	1 full time equivalent employee
- Police	1 employee
- Streets	0 employee
- Parks	0 employee
- Community Development	0 employee
<b>Total</b>	<b>2 employees</b>

The General Fund budget suggests modest salary increases for both current and proposed personnel. The Village Board will be considering whether there will be any increases to the merit compensation plan for non-union employees, which is examined annually. The plan provides that the Department Heads, with the advice and consent of the Village Manager, will review all non-union employees for possible merit increase. Each department establishes a merit pool, so the proposed raises can reflect job performance rather than automatic across-the-board pay increases. For budget purposes, an approximate 4.5% merit pool increase is recommended at this time. Implementation of the merit compensation plan as established by the Committee of the Whole and the Village Board, by ordinance, will determine the appropriate merit pool increases for the employees during the 2006-2007 fiscal year.

### OTHER GENERAL FUND INITIATIVES

Highlights of the General Fund Expenditures are outlined in the "Guiding Principles" section of this budget. To summarize, there are several major initiatives outlined in the General Fund for the 2006-2007 fiscal year, including the first stages of a 2007 special census, the first year of funding a vehicle replacement program, continued enhancement of the three month cash reserves, a large scale project to

obtain aerials and geographical data of the Village, an enhanced marketing campaign for the Village's business and industrial park, and several neighborhood improvement projects.

## **WATER AND SEWER OPERATING FUND**

The Water and Sewer Operating fund is a separate enterprise account that does not receive any tax income since revenue is derived solely from the use of the Village's water and sewer services. It is this reason the fund is classified as a true Enterprise Fund. The revenues and expenditures are directly related to the demand for these water and sewer services and are not supplemented by any other fund.

The fiscal year 2006-2007 Water and Sewer Operating Fund budget is proposed to be balanced with estimated revenues and expenditures of \$4,950,400 (1.6% increase). The modest increase in revenues is reflective of the effective water conservation programs implemented for the summer months. Hot and dry summers may produce increased revenue for water production, but it is better to be conservative in this budget and not depend on specific weather conditions.

### **ANTICIPATED REVENUE - WATER AND SEWER OPERATING FUND - (\$4,950,400)**

Over \$4.5 million is expected to be generated from water and sewer fees. This source alone accounts for 92% of the revenue needed to operate the water and sewer system of the Village. Other revenue sources are generated from interest on cash reserves, service charges, late charges, turn on fees, new meter sales, and the sale of obsolete equipment.

### **PROPOSED EXPENDITURES - WATER AND SEWER OPERATING FUND - (\$4,950,400)**

The expenditure format for the Water and Sewer Operating Fund separates the Water and Sewer Divisions; however, many of the expenditure items are split evenly between the Water Division line items and the Sewer Division line items.

With regard to personnel for the Utilities Division, this budget proposes no additional personnel. The first priority of this year's water and sewer operating budget is continued maintenance of the existing system. However, completion of the Wastewater Treatment Plant Phase 6, expected in the next fiscal year, will require additional staff for the expanded wastewater treatment at that time.

Operation and maintenance costs are increasing due to expansion to water and sewer distribution and treatment processes and continued aging of the entire system. The water and sewer operating budgets recognize the department's concentration on improved maintenance of the water system as seen by comparison of expenses between the water and sewer divisions (54% water - 46% sewer).

It is essential that the Village maintain the day-to-day operations and maintenance of this Enterprise Fund. Environmental Protection Agency requirements continue to tighten the standards on the quality of the drinking water and sanitary sewer effluent. This in turn raises the bar on the quality of the product generated by the Water and Sewer Divisions for the benefit of our citizens.

## **INTERNAL SERVICE FUND**

The Vehicle Maintenance Service Fund is established to account for all the vehicle and equipment maintenance necessary across all departments of the Village. All parts and labor expenses incurred as part of the Village's annual vehicle maintenance are estimated and then allocated to each department based on number of vehicles and equipment. In addition, this service fund has similar overhead expenditures of "contractual services," "supplies," "maintenance," and "training," as do other department budgets. The Vehicle Maintenance Fund coordinates the daily maintenance of 305 vehicles and other pieces of equipment (i.e. implements with engines such as chain saws, weed whips etc.) that comprise the Village's fleet. The Vehicle Maintenance Service Fund is proposed with a 2.5% increase in expenditures from the current fiscal year.



## **CAPITAL IMPROVEMENT PROJECT FUNDS**

This budget continues the Village's focus on important infrastructure improvements throughout the community. Capital expenditures are defined as "expenditures made to acquire, add to, or improve property, plant, and equipment, including land, structures, machinery, equipment, special tools, and other depreciable property; construction in progress; and tangible and intangible exploration and development costs. In accounting, a capital expenditure is added to an asset account (i.e. capitalized), thus increasing the asset's basis." Following is a discussion of major capital projects planned for the 2006-2007 fiscal year, as well as plans for funding future capital projects.

### **MOTOR FUEL TAX AND STREET IMPROVEMENT FUND**

These two funds have separate sources of revenue collection and expenditure requirements. The projects recommended in these two funds continue the Village's commitment to implement its multi-year street improvement program. Cash reserves within these two funds have been utilized in the past few years in an attempt to accelerate road repairs. Due to this effort over the past three years there are little or no reserves within these two funds to continue accelerating road improvements unless there is an increase in our revenue stream. Projects can now only be funded as revenue is received and accumulated to facilitate the projects year to year. The revenue for these two funds is estimated at almost \$2.7 million dollars. The expenditures proposed for engineering and road construction projects covered by the two funds total just over \$1.5 million dollars, some of which relates to projects that were started during this current fiscal year, but will not be finalized until fiscal year 2006 - 2007. Over the past three years the Village has been putting \$3 to \$4 million per year into street improvements as part of the accelerated street program.

For this fiscal year, the Motor Fuel Tax Fund has anticipated revenues in excess of proposed expenditures of \$288,400. During the past fiscal years, the accumulated funds have been depleted to complete many road projects. Thus, there are limited funds in the MFT account for all the proposed projects to satisfy in the multi year capital improvement program. The Street Improvement Fund includes road projects, which may not qualify for MFT funding due to certain restrictions required by the State on the use of MFT funds. The Street Improvement Fund budget, like the MFT Fund, shows proposed revenues exceeding projected expenditures, by \$874,210. Some projects budgeted in this current fiscal year, such as the South Algonquin Phase 3 project, are carried over to the 2006-2007 fiscal year. Previous cash reserves need to be accumulated in the fund to cover the larger future road projects.

### **WATER AND SEWER IMPROVEMENT AND CONSTRUCTION FUND**

This fund includes the larger capital improvements to both the water and sewer treatment plants and distribution systems, and smaller expenditures that improve or enhance the existing system. The Water and Sewer Improvement and Construction Fund is a capital account with cash reserves that can be accumulated from year to year. During previous fiscal years, revenues derived from tap-on fees, annexation agreements and bond proceeds were secured to cover the cost of the Wastewater Treatment Plant Expansion. It is recommended that the Village spend over \$11 million on the water and sewer treatment systems in this proposed budget. Almost \$10 million of this fund is allocated toward phases 6A and 6B of the Wastewater Treatment Plant Expansion. The other minor expenditures include the final payout of the retainage for the construction of Water Treatment Plant #3, the first installment of the \$9 million sewer bond issue, and the initial design for the addition to Water Treatment Plant #3 for the future development and treatment of a deep well.

The major source of revenue for the Water and Sewer Improvement and Construction Fund (over 57%) is derived from the water and sewer tap-on fees from new development. The goal is that new development pays for the expansion of the water and sewer system. A new revenue source, a home rule sales tax (described later) will bring in funds from expanding commercial development in the Village. Other minor sources of revenue include interest and donations negotiated in recent annexation agreements. The revenue from tap-on fees is expected to decrease (14%) based upon the slowing of new residential and large commercial projects during this fiscal year.

## **PARK FUND**

This fund is used for the acquisition of parklands and the development of new parks. Due to the accumulation of funds from developers, it is appropriate to complete the new park projects that have been previously planned for a few years. This year's park fund reflects the final construction expenses and construction management for Cornish Park started during the current fiscal year. Phase 2 of the Spella Park Wetland Mitigation Plan (paid from the Target Shopping Center wetland mitigation fee) and Phase 1 of the Spella Park improvements (funding assistance from an Illinois Department of Natural Resources grant) are the major park projects for this fiscal year.

## **CAPITAL PROJECT PLANNING**

The Village of Algonquin undergoes a comprehensive review and update of the Capital Improvement Plans (CIP) each fall prior to the start of the budget process. CIPs are developed for Streets (funded through the MFT and Street Improvement Funds), Parks, and Water and Sewer projects (budgeted through the Water and Sewer Improvement and Construction Fund). Streets Division staff has a maintenance tracking program that allows them to continually monitor and evaluate the condition of all of the roads in the Village. This information is presented during the review of the capital improvement plans and factored into the prioritization process for scheduling capital improvement projects.

Staff presented the information outline below to the Village Board in January 2006. The following charts summarize current multi-year plans, including projected costs and revenues.

## **MFT & STREET IMPROVEMENT MULTI-YEAR CAPITAL IMPROVEMENT PLAN PROJECTS**

<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
-Old Oak Street Rehabilitation -South Harrison St. and LaFox River Dr. Improvements	-Huntington Drive North -Harnish Dr./Stonegate -Arrowhead Subdivision -Algonquin Hills Phase 4	-Spring Creek Phase 2 -Spring Creek Phase 3 -Edgewood Dr -Hanson Road
<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
-High Hill Farms Phase 2 -Copper Oaks Phase 1 -Sandbloom Rd	-High Hill Farms Phase 3 -Old Oak Phase 2	-Indian Shores/South Hubbard -Royal Hill Phase 1 -Copper Oaks Phase 2

## **PROJECTED COST OF MFT/STREET IMPROVEMENT CAPITAL IMPROVEMENT PLAN**

The following table reflects the costs associated with the projects described above.

Fiscal Year 2007-2008	\$5,377,000
Fiscal Year 2008-2009	\$7,151,000
Fiscal Year 2009-2010	\$3,976,000
Fiscal Year 2010-2011	\$1,660,000
Fiscal Year 2011-2012	\$3,731,000
<b>Subtotal:</b>	<b>\$22,395,000</b>
Estimated Revenue:	\$15,805,000
Shortfall:	\$6,590,000

## PARK FUND CAPITAL IMPROVEMENT PLAN PROJECTS

<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
-Ted Spella Park Development -Ted Spella Park Wetland Mitigation -Completion of Cornish Park Development and Construction	-Gaslight Park Improvements -Holder Field Improvements -Presidential Park Improvements -Towne Park Improvements -Willoughby Farms Park Improvements -Yellowstone Park Improvements -Path replacement maintenance	-High Hill Park Improvements -Jaycee Field Improvements -Snapper Tennis Court Resurfacing -Timbridge Park Improvements -Path replacement maintenance
<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
-Holder Field Permanent Restrooms -Ted Spella Community Park Development Phase 2 (Year 1) -Stoneybrook Park Improvements -Willoughby Farms Park Tennis Court Resurfacing -Path replacement maintenance	-Develop New Coves Park -Holder Field Site Improvements -Willoughby Farms Park Improvements -Ted Spella Community Park Improvements Phase 2 (Year 2) -Path replacement maintenance	-Towne Park Development Pertaining to Western Bypass -Path replacement maintenance

## PROJECTED COST OF PARK CAPITAL PLAN

The following table reflects the costs associated with the projects described above.

Fiscal Year 2007/2008	\$218,050
Fiscal Year 2008/2009	\$182,000
Fiscal Year 2009/2010	\$1,241,870
Fiscal Year 2010/2011	\$1,391,670
Fiscal Year 2011/2012	\$504,240
<b>Total:</b>	<b>\$3,537,830</b>
Estimated Revenue:	\$2,000,000
Projected Shortfall:	\$1,537,830

## WATER AND SEWER IMPROVEMENT AND CONSTRUCTION FUND CAPITAL IMPROVEMENT PLAN

<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>
-Wastewater Treatment Plant Phase 6A and 6B Construction -Design Ion Exchange at Water Treatment Plant No. 3 -Infiltration and Inflow Studies	-Wastewater Treatment Plant (WWTP) Phase 6A -WWTP Phase 6B -Infiltration/Inflow Phase 7 -Deep Well Test Drilling -Well Maintenance -Water Treatment Plant (WTP) No. 3 Deep Well Addition (Year 1) -Dyster Replacement WWTP-Engineering	-WTP No. 3 Deep Well Addition (Year 2) -Deep Well #12 Development -WWTP Dyster Replacement
<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u>
-WWTP Phase 7 Engineering -Drill Wells 14 and 16 -Cary Road Booster Maintenance -Hanson Road Water Tower Repaint -New Algonquin Lakes Water Tower	-WWTP Phase 7 (Year 1) -Jacobs Water Tower Repaint	-WWTP Phase 7 (Year 2) -New Arrowhead Water Tower -Repaint Copper Oaks Water Tower



## PROJECTED COST OF WATER AND SEWER CAPITAL PLAN

The following table reflects the costs associated with the projects described above.

Fiscal Year	07/08	\$5,765,000
Fiscal Year	08/09	\$3,730,000
Fiscal Year	09/10	\$3,820,000
Fiscal Year	10/11	\$11,135,000
Fiscal Year	11/12	\$4,780,000
<b>Subtotal:</b>		<b>\$29,230,000</b>
5 Year Bond Payment:		\$2,050,000
<b>Total:</b>		<b>\$31,280,000</b>
Estimated Revenue:		\$16,750,000
Shortfall:		\$14,530,000

## CAPITAL PROJECT TRENDS AND INITIATIVES

As demonstrated above, Staff estimated significant cash shortfalls for these funds, due in part to increased cost of construction materials and labor as well as stagnation of revenue sources (as discussed further in the "Revenue Assumptions" section of this budget document). In response, the Village Board approved a long term solution which will reduce the gap between revenues and proposed expenditures over the coming years in the capital funds. The solution was a new revenue source that would not overly burden residents and businesses yet will meet the needs of Village capital projects. A combination of ordinances was designed to substantially relieve Village residents and businesses of the tax burden on natural gas while placing a substantial portion of the cost of capital improvements on non-residents as they shop in Algonquin.

On March 7, 2006, the Village Board passed an ordinance that will eliminate the utility tax on natural gas and delivery charges for Village residents and businesses. The 4% Utility Tax related to natural gas will no longer apply as of July 1, 2006. A use tax fee of \$0.01027 will be implemented as a charge per therm and is designed to be revenue neutral to 1% of natural gas charges. This action does two things: 1) it deletes the 4% utility tax charges that residents and businesses presently pay on natural gas and delivery charges and, 2) it implements a use tax of \$0.01027 to be calculated on therms used rather than the volatile energy costs that have been experienced this winter. The result will be a substantial reduction of fees paid relative to natural gas for users located within the corporate limits of the Village of Algonquin. The change in billing is effective July 1, 2006. The revenues from the "per therm" tax will be allocated to the Street Improvement fund as a partial replacement for the discontinued utility tax.

A home rule retailers' occupation tax and service occupation tax of three-quarters percent (3/4%) was also passed by ordinance. The Village is empowered to impose a tax upon all persons engaged in the business of selling tangible personal property at retail in the Village of Algonquin. This tax applies to retail and service sales and will be implemented as of July 1, 2006. It does not apply to sales of food for human consumption off the premises where it is sold (i.e., groceries but not food which has been prepared for immediate consumption), prescription and non-prescription medicines, or other medical supplies. In addition, it does not apply to sales of tangible personal property that is titled or registered with an agency of this state's government (e.g., cars, trucks, motorcycles, etc.). As noted above, day-to-day shopping needs for necessities such as groceries and medical items are exempt from the home rule sales tax. It is estimated that 60% to 70% of the sales tax generated in Village businesses comes from non-residents. The 3/4% tax translates to 75¢ per \$100 of goods purchased.

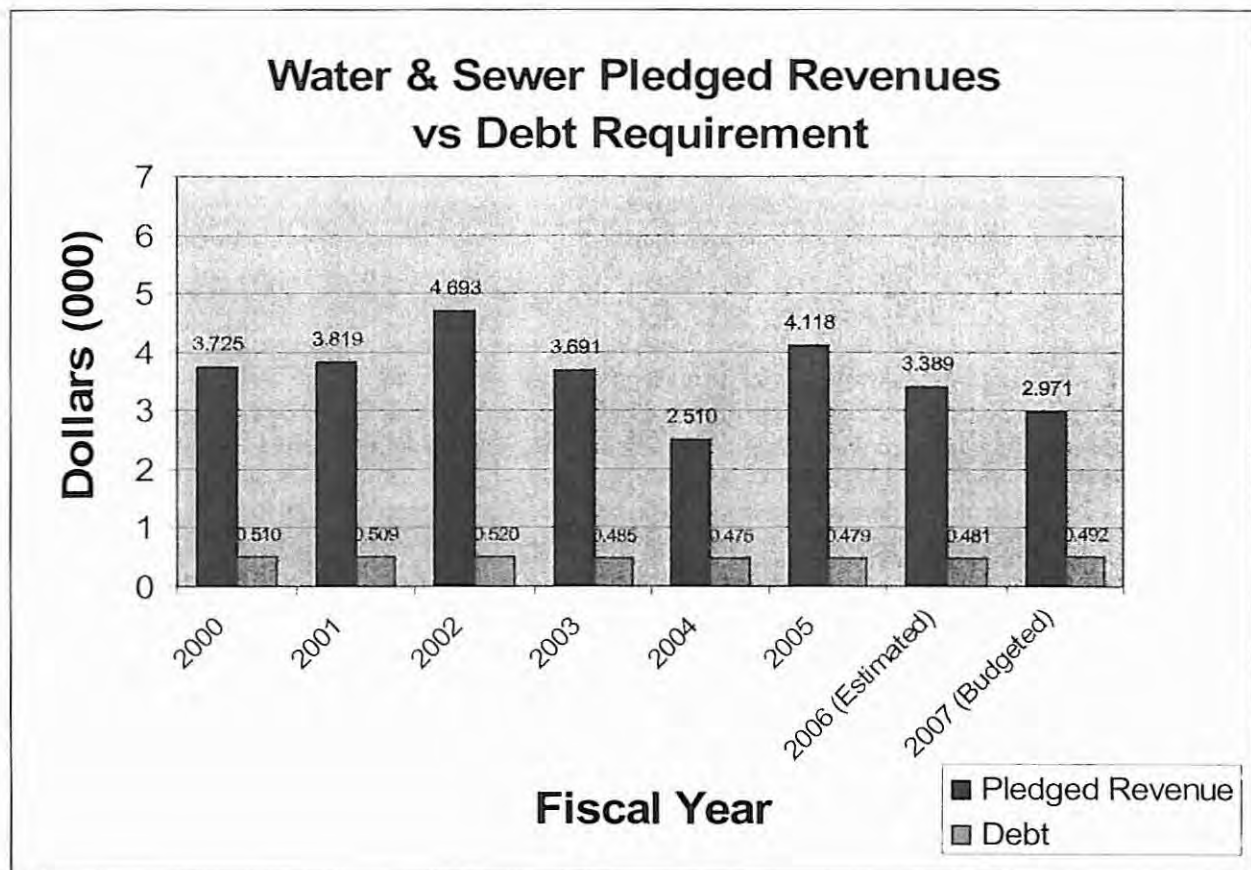
The home rule sales tax will be dedicated for capital needs and infrastructure improvements (such as for road reconstruction and water and sewer projects), both now and in the future. The proceeds from the home rule sales tax will be allocated to the Water and Sewer Improvement and Construction Fund and the Street Improvement Fund. Because the home rule sales tax is a new initiative, there are no trends or

patterns on which to base revenue projections; therefore, the home rule sales tax revenue figures in these funds are conservative estimates of receipts for six months.

In addition to the above, the Village Board passed a bond measure in December 2005 (fiscal year ending 2006) in the amount of \$9 million to partially fund the expansion of the Waste Water Treatment Plant. This plant has reached capacity, and expansion is necessary in order to support the continued commercial, industrial, and residential expansion of the Village. Additional revenues for this \$14 million project (which includes engineering, construction manager costs, and consultant fees) will come from this enhanced revenue. The Village believes that there will not be further need for bond issues relating to the Waste Water Treatment Plant expansion project until Phase 7 is initiated in Fiscal Year 2011-2012.

#### IMPACT OF CAPITAL DEBT OBLIGATIONS ON CAPITAL FUNDS

Water and Sewer Improvement and Construction Fund revenues are pledged to offset the debt initiatives as described above as well as existing debt. The debt coverage from the Pledged Revenues is required to be a minimum ratio of 1.25 of revenues to debt (as established in the bond ordinance). The actual, estimated actual and budgeted coverage for fiscal years 2000 - 2007 is shown below:

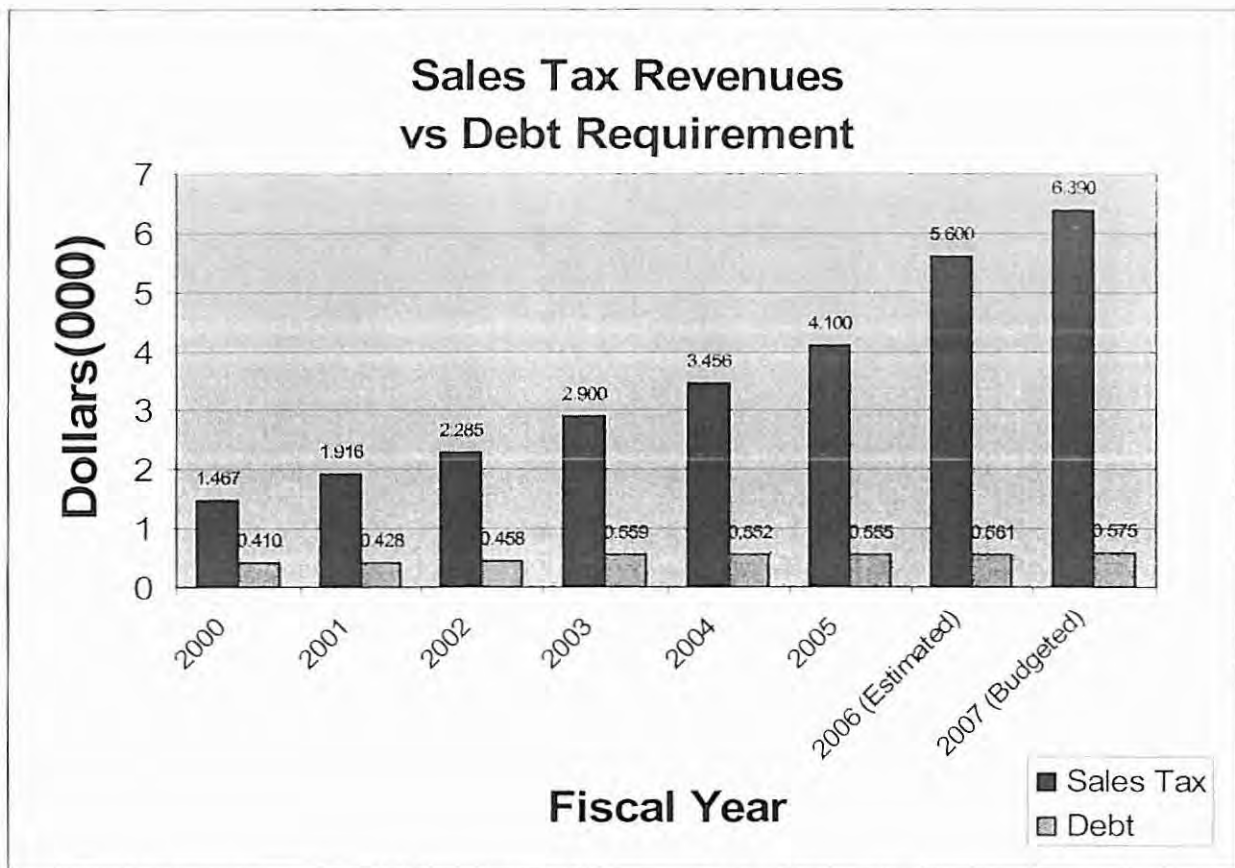


	Actual FY00	Actual FY01	Actual FY02	Actual FY03	Actual FY04	Actual FY05	Estimated Actual FY06	Budget FY07
Debt Coverage	7.3	7.5	9.0	7.6	5.3	8.6	7.0	6.0

#### IMPACT OF CAPITAL DEBT OBLIGATIONS ON GENERAL FUND

General sales tax revenues are pledged to offset the debt obligations incurred for construction of Village Hall (completed in 1996) and the Public Works facility (completed in 2003). The debt coverage from

sales tax revenues is required to be a minimum ratio of 1.25 of revenues to debt (as established in the bond ordinance). The actual, estimated actual and budgeted coverage for the fiscal years from 2000 to 2007 is as follows:



	Actual FY00	Actual FY01	Actual FY02	Actual FY03	Actual FY04	Actual FY05	Estimated Actual FY06	Budget FY07
Debt Coverage	3.6	4.5	5.0	5.2	6.3	7.3	10.0	11.4

Thus, the Village has ample funds to offset debt obligations.

### **DEBT FUNDS**

The Village has five (5) bond series outstanding that require debt service from these funds. Three are related to the Water and Sewer Utility while the remaining bonds pertain to construction of Village Hall and the Public Works Facility. The Village does not plan to issue any debt during the 2006-2007 fiscal year. Aside from the capital debt issues described above in the water and sewer enterprise system, the next major capital project that may require bond issuance will be the expansion of the Village Hall, planned for 2011.

#### **WATER AND SEWER BOND AND INTEREST**

The Water & Sewer Bond & Interest Fund is used for debt service requirements of the 2001A, 2002 and 2005A bond series. Revenues include transfers totaling \$875,060 from Water & Sewer Operating and Water & Sewer Construction Funds as well as \$25,000 in interest income for total revenues of \$900,060. Expenditures include principal payments of \$390,000, interest expense of \$565,425 and bond fees of \$6,000 for total expenditures of \$961,425. Cash reserves will be used to balance the cash flow this fiscal year.



#### **WATER AND SEWER BOND RESERVE**

The Water & Sewer Bond Reserve Fund is required to have funds on deposit equal to the maximum annual debt service of Series 2002 which is \$252,245.00 for Fiscal Year 2008. These funds are available for debt service payments if there are insufficient funds in the Bond & Interest Fund for payment of debt service. This deposit requirement has been met and the only revenue is interest income in the amount of \$25,000. Expenditures of \$25,000 represent a year-end transfer of excess funds to the Water & Sewer Improvement and Construction Fund.

#### **WATER AND SEWER DEPRECIATION**

The Water & Sewer Depreciation Fund is required to have funds on deposit in the amount of \$150,000.00 for possible use as the only source of debt service payments or extraordinary maintenance and repairs in the utility system. This deposit requirement has been met and the only revenue is interest income in the amount of \$7,200. Expenditures of \$7,200 represent a year-end transfer of excess funds to the Water & Sewer Improvement and Construction Fund.

#### **DEBT SERVICE**

This Debt Service Fund is used for debt service requirements of the 2002A and 2005B bond series. The total revenues of \$600,125 include a \$575,125 transfer from the General Fund and interest income of \$25,000. Debt service expenditures include \$375,000 for principal payments, \$315,000 for interest expense, and \$5,000 for bond fees for total expenditures of \$695,000.

### **CEMETERY FUNDS:**

The Village operates a municipal cemetery that has been in operation since before the incorporation of the Village in 1890. The Village has taken numerous steps over the last four years to enhance the cemetery, both operationally as well as aesthetically with the restoration of headstones, paving of access roads, land acquisition, and installation of directional markers.

#### **CEMETERY ACQUISITION**

The Cemetery Acquisition Fund provides for future land acquisition. Cemetery Acquisition revenues is \$200 from interest income. There are no expenditures planned for this fiscal year.

#### **CEMETERY TRUST**

The Cemetery Trust Fund provides investment income for perpetual care in maintaining the cemetery. We expect \$7,050 in interest income and perpetual care revenues of \$1,000. Expenditures consist of a \$4,390 transfer to the Cemetery Fund.

### **DEVELOPMENT FUNDS:**

#### **COMMUNITY DEVELOPMENT**

The Community Development Fund is the revolving loan fund for development of small business. There are no loans at present and the only revenue is interest income of \$5,000. There are no loans proposed for this year.

#### **SCHOOL DONATION**

School Donation Fund revenues are budgeted at \$2,005,000 including \$2,000,000 for impact fees (per ordinance) and interest of \$5,000. The expenditures for this fund include impact fee payments to the two school districts totaling \$2,000,000 and \$3,000 for administration of the account.

#### **CUL-DE-SAC**

Cul-De-Sac Fund revenues include interest income of \$35,300 and cul-de-sac fees of \$6,000 for a total of \$41,300. Expenditures are \$32,000 for contract snow plowing and \$3,300.00 for a plow blade for a village bobcat.

## **TAX LEVY FUNDS:**

### **INSURANCE**

The Insurance Fund is primarily used for liability insurance. The revenues include interest of \$7,500 and real estate taxes of \$525,000 for a total of \$532,500. Expenditures include \$520,000 for insurance premiums and \$5,000 for professional services including the Employee Assistance Program and hepatitis shots.

### **POLICE PENSION**

Revenues for the Police Pension Fund total \$1,306,975 including employee contributions of \$332,400, investment income of \$485,100 and employer contributions of \$489,475. Expenditures total \$193,100 due to pension benefits/employee contribution refunds of \$149,000 and administration expenses of \$44,100.

## **OTHER FUNDS:**

### **VILLAGE CONSTRUCTION**

The Village Construction Fund is used to account for construction costs of municipal buildings. Revenues include interest of \$1,100 and donations for Municipal Facility Fees of \$40,000 for a total of \$41,100. The expenditures planned for this fiscal year are \$5,000 for a final retainage payout on the Public Works Facility.

### **HOTEL TAX**

Hotel Tax Fund revenues are taxes on hotel room billings pursuant to the municipal ordinance. The budget for revenues is \$93,000 including hotel tax receipts of \$90,000 and interest income of \$3,000. Expenditures are \$91,000 per a development agreement and \$2,000 for tourism and marketing promotions.

## SUPPLEMENT 2: IMPLEMENTATION OF THE GUIDING PRINCIPLES

### Prioritizing Needs in Accordance with Guiding Principles

For the past four years, including this fiscal year, the Village has focused on constraint budgeting, a process that requires department heads to scrutinize their operations and prioritize need as they put together their budget requests. Each budget item was evaluated to ensure that it met the priorities of the residents and elected officials, as outlined in the Guiding Principles.

The Village of Algonquin's goal and priority setting process tends to be less formal, defined through Village Board discussions at both the Committee and Board level, staff discussion at staff meetings and goal-setting sessions, resident requests and input, focus groups, public hearings, and the like. The budget team relied on the above input to formulate the following list of guiding principles. The term "guiding principles" reflects those values that have and will continue to define Village operations.

Our ultimate goal is to demonstrate to our residents and the public at large that we have compiled a budget that provides the most results at the most efficient price.

The principles listed below are, for the most part, timeless, and will be part of the fabric of the Village's direction for the coming years, if not forever. However, the means in which we meet or work towards these principles may change from year to year. This document intends to not only describe the guiding principles, but also to highlight some of the major programs and other purchases that have been included in this year's budget in order to support the guiding principles. Many programs and services can fit into more than one category; we have placed the programs in the category where they fit best. Programs are defined by department. Please note that Administration includes the Swimming Pool Division, and Public Works includes Public Works Administration, Streets Division, Parks and Forestry Division, Water and Sewer Operating Division, and the Vehicle Maintenance Division.

The Guiding Principles were established as part of the 2005-2006 budget year process, as defined in the Budget Message (see the Budget Message for additional description of each guiding principle). They have been refined for the 2006-2007 budget as outlined in the list below. Both the budgeted amount and the line item are shown in parentheses following a description of the project or purchase. Please note that the amounts listed do not include staff time. The Village aims to focus its time and resources in accomplishing the following objectives:

#### (1) MAINTAIN AND/OR ENHANCE CUSTOMER SERVICE AND CITIZEN SATISFACTION

- The Village's part-time IT Technician will be promoted to a full-time Systems Administrator position, allowing for increased maintenance of the system of technology that staff depends on to do their jobs, and decreased reliance on outside consultants (resulting in cost savings). In addition, a part-time Database Specialist Intern will be hired to streamline the tracking and scheduling of maintenance of public projects and capital items. (01.100.110)
- In our quest to offer quality and efficient customer service to residents, we will complete the second and final phase of offering residents the option to view and pay their **water/sewer bills on-line**. By visiting the Village's web site, residents will be able to track their account history and set up automatic bill payment. Residents will also have the added feature of being able to pay via credit card. (\$10,000 – 01.100.234)



- The Administration Department serves as a hub for dissemination of information to the public, and we are constantly evaluating the best means of communicating with residents. One area for expansion is the Village web site. Revision of the Village's web site is a top priority for this fiscal year, and will include a user-friendly and attractive layout and more interactive features. (\$5,000 – 01.100.234)
- The Village will continue to produce the New Resident Packet, quarterly newsletters, and the annual report calendar (\$7,000 – 01.100.238, \$14,500 – 01.100.240, \$13,500 – 01.100.240)
- The Village is in the fourth year of offering **recreation and events programming** to Algonquin residents. The Events and Recreation Coordinator has put together a budget for the upcoming fiscal year that includes repeat programming of popular classes and new programming that reaches out to additional residents (for example, weekend and evening sessions for working parents, programming to meet resident requests, and so on). There are also programs that are offered jointly with local organizations and other government agencies. (\$147,950 – 01.100.701)
- A new pickup truck with a plow will be added to the Street Division's fleet, resulting in an additional backup vehicle available for snow plowing. (\$34,500 – 01.300.590)
- Funding is included to support the second year of the Village's new public art program. (\$1,170 – 01.500.318)
- The Village will contract with a third party to obtain aerial photographs and planimetrics (geographic information such as topography and building footprints) for incorporation into the Village's GIS. This new information will give staff additional tools to provide more efficient service to residents and customers and to share data between departments. (\$87,370 – 01.900.333)

(2) CONTINUE TO PROMOTE AND FOSTER ECONOMIC DEVELOPMENT.

- Village staff will continue to develop and distribute marketing materials for the Corporate Campus. In addition, this year an enhanced Corporate Campus Marketing Program will be implemented to facilitate growth and expansion of the industrial park. (\$51,000 – 01.500.710)
- The Business Retention Program includes distribution of a business newsletter, the business awards program, and other services for existing businesses. (\$2,000 – 01.500.710)
- Four years ago, the Economic Development Commission developed and began implementation of a successful retail marketing strategy. Since the creation of the program, over 2.5 million square feet of commercial development has been approved, and our sales tax revenue has grown significantly. This program will continue; costs include brochures, mailings, and trade show activities. (\$1,000 – 01.500.710)
- The implementation of the downtown revitalization plan continues this year, through development of a marketing piece on the Village's web site, continued cooperation with the Downtown Algonquin Partnership, distribution of the Old Town Crier newsletter, and funding of downtown events such as Holly Days, Country Harvest Day, and the Spring Fling. Money is also allocated for the Village's match of façade rehabilitation loans. (\$10,000 – 01.500.710)

(3) EVALUATE, PLAN FOR, AND IMPLEMENT IMPORTANT CAPITAL IMPROVEMENT PROJECTS IN ORDER TO MAINTAIN THE VILLAGE'S INFRASTRUCTURE AND UPHOLD A HIGH QUALITY OF LIFE FOR RESIDENTS

- Conduct repair of the sea wall on Crystal Creek that has fallen into disrepair and could become a safety hazard. (\$30,000 – 01.300.309)
- Funds are allocated for the Village's various sidewalk programs that are in place to ensure maintenance of sidewalks for utmost safety for walkers. Three programs are defined: 1) the

curb and sidewalk repair program, which involves evaluating and repairing sidewalks as needed, 2) formalization of a cross walk on Route 31, between Beach Drive and Hayes Drive, to allow for safe pedestrian traffic crossing on a busy street, and 3) installing a sidewalk on County Line Road near Wal-Mart on Randall Road for improved pedestrian access in this area. (\$33,340 – 01.300.427)

- The Streets Division will continue to focus on street maintenance projects, such as the striping program (for crosswalks and turn lanes, etc.), crack sealing for extending the life of newly paved roads, and installing pavement on Millbrook Drive. (\$43,100 – 01.300.428)
- Several park upgrades are planned for this budget year, such as the Wood Park drainage project, President Park parking lot maintenance and sign replacement, bike path repairs, and Willoughby Farms Park drainage project. (\$22,500 – 01.400.338)
- The Gaslight Park tennis courts will receive a much-needed resurfacing. (\$18,000 – 01.400.593)
- Several projects are budgeted for in the Water and Sewer Operating Fund (Fund 7), including replacement of the Route 62 Bridge water main and repairing rock damage at Jacobs tower.
- The Old Oak Phase I Road Rehabilitation project will take place in this fiscal year. (\$195,000 – 03.900.345) Other capital improvement projects include the South Harrison Street and LaFox River Drive construction project, Circle Drive ravine erosion repair, and finalization of the South Algonquin Phase 3 and Twisted Oak Ravine projects. (\$660,290 – 04.900.593)
- In the Park Fund, moneys are available for the Village's on-going reforestation project (\$20,000 – 06.900.402), finalization of the Cornish Park project downtown (\$895,000 – 06.900.593) and SPella Park work (including wetland mitigation phase 2 and phase 1 construction, \$1,150,000 – 06.900.593).
- Projects budgeted in the Water and Sewer Improvement and Construction Fund include finalization of Lakewood Water tower construction (\$10,000); completion of the Braewood Lift Station, including odor control measures (\$72,000); completion of Well 13 installation (\$10,000); wrapping up construction of Water Treatment Plant No. 3 (\$300,000), and construction of Phase 6A of the Waste Water Treatment Plant Expansion (\$9,900,000). [All budgeted in Fund 12.]

(4) ASSESS ALL VIABLE OPTIONS TO INCREASE/MAINTAIN THE VILLAGE'S REVENUE BASE

- A special, partial census is being planned for late spring/early summer 2007. The first phase, which consists of a payment to the U.S. Census Bureau, is budgeted for this fiscal year. (\$70,000 – 01.100.742)
- In the past, an efficiency study was conducted for the Village's Fleet Maintenance Division, which resulted in many positive changes that increased the efficiency and effectiveness and realized cost savings with this division. Funds are allocated for additional efficiency studies this fiscal year, and will be utilized to analyze an as yet to be determined area of municipal operations. (\$10,000 – 01.100.234)
- Please see the Financial Policies section of the budget for more efforts in this area.

(5) CONTINUE TO ALLOCATE THE NECESSARY RESOURCES FOR THE MAINTENANCE OF THE PUBLIC'S HEALTH, SAFETY, AND WELFARE THROUGH A WELL TRAINED AND DEDICATED POLICE FORCE.

- An additional crossing guard has been funded for School District 158 if need dictates that one is necessary for school children walking to/from school. (\$4,000 – 01.200.160)

- To accommodate for the growth in the Village and the additional of many commercial entities, the Police Department is adding a fifth patrol zone. An additional sergeant will be hired in order to appropriately manage the expansion of coverage. (01.200.110)
  - This is the first fiscal year that SEECOM (South East Emergency Communication Center) will be fully operational and, thus, fully funded. The Village of Algonquin partners with area communities, police departments, and fire districts to provide consolidated emergency dispatch services. This center allows the municipalities to combine their resources and provide a public safety answering point with state of the art equipment and policies. This system will allow a coordinated response between agencies, a more efficient use of resources and professional cross-trained staffing. (\$520,000 - 01.200.241)
  - This budget includes funding for crucial community programs that foster public health and safety, such as the citizens' police academy, neighborhood watch, citizen assistance program, and crime prevention. (\$4,000 - 01.200.318)
  - The Police Department will be implementing a major upgrade to their fingerprinting system (Identix Livescan). (\$30,000 - 01.200.332)
  - Five squad cars will be replaced with new models (Dodge Chargers) in order to maintain the reliability of the fleet. Also, a vehicle will be purchased for use by the community service officers, which will allow them more flexibility to get out into the field to serve the public. (\$143,900 - 01.200.590)
- (6) CONTINUE TO PROMOTE AND DEVELOP PROGRAMS WITH A CONSERVATION FOCUS
- The Parks and Forestry Division will continue their program of visiting third graders and educating them about care of trees as part of the Village sponsored celebration of Arbor Day. (\$700 - 01.400.235, \$550 - 01.400.238)
  - Trash cans will be replaced and added to the downtown area to ensure that sufficient sturdy receptacles are available to encourage appropriate disposal of trash. (\$7,200 - 01.400.320)
  - Tree planting programs will continue this fiscal year, with landscaping replacements, the 50/50 tree program that allows residents and the Village to jointly fund additions of parkway trees, and tree replacements. (\$27,000 - 01.400.402)
  - The Village's certified arborists will continue to care for existing trees as part of the tree trimming program. (\$4,000 - 01.400.405)
  - The Village will continue to focus on open space maintenance with the natural areas management plan. Last fiscal year, the Village had an assessment done of natural areas, including wetland detention basins, detention basins, wetlands, and native planted open space. The plan outlined a series of maintenance steps which need to occur in each area on an on-going basis in order to keep the areas in pristine and ideal conditions and to prevent them developing into weedy and un-maintained spaces, crucial in keeping the proper habitat which allows wildlife to flourish. Proper plants and habitat are important for the filtering process most of the areas provide, thus improving groundwater infiltration and promoting water quality. (\$13,700 - 01.400.425)
  - Information will be disseminated to the public to educate residents about the Village's water conservation program. (\$800 - 07.7/800.237)



## THE BUDGET PROCESS

The budget process is an essential procedure that requires a substantial amount of staff time and dedication. It serves many important purposes, including the following:

- The budget process allows staff and elected officials the opportunity to scrutinize and evaluate existing processes and weigh alternatives for increased efficiencies and effectiveness.
- It is an opportunity to compare the actions of the Village to the plans and goals that are guiding the Village.
- Through the budget process, staff confirms that all legal and statutory requirements are being met.
- The budget process is a means for elected officials and staff to set the course of action for the future operations of the Village.

### Budgeting Philosophies

#### Constraint Budgeting

We continued to follow a constraint budgeting process for the 2006-2007 fiscal year budget. In 2002, in response to fiscal challenges, such as a struggling economy, increasing liability and medical insurance costs, union contract obligations, and other financial barriers, and increasing demand for municipal services, the Village of Algonquin followed a new method for budgeting, which was originally adopted for the 2003-2004 fiscal year. This new method was modeled after a budget process outlined in a May 2002 article on "*constraint budgeting*" that appeared in the International City/County Management Association's Public Management magazine.

In the past, department heads proposed their budgets without any type of bottom line figure. For the past four budget planning sessions (for fiscal years ending on the 30<sup>th</sup> of April, 2004, 2005, 2006, and 2007), we followed the process outlined below (under Budget Timeline), which allowed department heads to know in advance their bottom-line budget amount. This gave them the flexibility to prioritize their needs, with items that were cut or postponed placed on their enhanced budget request. We feel that, in the words of the ICMA article authors MacReynold and Fuhrer, "the system is simple, promotes fiscally responsible behavior, and is an effective aid in the decision-making process."

#### Guiding Principles

This year, the main tenets that guide the Village and its operations were crystallized in the Guiding Principles, eight core standards that serve as the guideposts for decision-making in the Village of Algonquin. The Guiding Principles were formulated based on several informal planning processes that occur regularly in the Village on an on-going basis, such as at Board meetings, staff brainstorm sessions, focus groups, and so on. The Guiding Principles are outlined in a separate document in this budget.

### **Preparation for Government Finance Officer's Association Budget Awards Program**

In 2004, the Budget team set out to enhance the budget document in preparation for submittal to the Government Finance Officer's Association (GFOA)'s Budget Awards Program. The Assistant Village Manager coordinated expansion and development of this budget document to comply with the guidelines established by the GFOA as part of their program. Enhancements included expansion of the budget message, addition of program descriptions for most divisions departments, an analysis of debt service, a description of fiscal policies, inclusion of statistics relative to Algonquin, an explanation of the budget process, and a new layout for the worksheets. The Village submitted the 2004-2005 fiscal year budget to GFOA, and was awarded GFOA's Distinguished Budget Presentation Award. The Village was honored to receive this distinction a second time for the 2005-2006 fiscal year budget. The requirements of the award program are significant, requiring additional input from department heads and the Budget Team. Adding information to our budget as required by GFOA also enriched it as a communications tool with elected officials and residents. More improvements were implemented this year, including expansion of the financial policies explanation, expansion of the revenues assumptions, and the incorporation of the Guiding Principles.

### **Participants, Roles, and Responsibilities – The Budget Team**

The Budget Team consists of the Budget Officer (Village Manager William Ganek), Finance Director (John Walde), and the Assistant Village Manager of Operations (Jenna Kollings). Department Heads, Village Board, and Village residents also play crucial roles in the budgeting process. Department Heads are responsible for evaluating the needs of their department/divisions, soliciting input from staff, and compiling those needs and priorities into a cohesive and straightforward budget request. The Village Board is critical in evaluating the budget, as proposed by the Budget Officer, asking questions, and, eventually, approving the budget. Residents and their needs are, of course, the driving force behind the budget process. In addition, residents have opportunities to view the budget proposal and attend the Committee meetings, Board meetings, and public hearings when the budget is addressed.

### **Budget Development Timeline**

This year, the timing of the budget process was key, for two reasons. One, we were operating under the system of "constraint budgeting", which requires more up front work, as described below; second, we continued to alter the budget document in preparation for submittal to the Government Finance Officer's Association's (GFOA) Distinguished Budget Awards Program. Below is the timeline that we adhered to in preparing our budget.

August to October, 2005

- *Initial Budget Meetings – Budget Officer, Finance Director, and Assistant Village Manager of Operations:* These preparatory meetings took place from August to October, 2005, in order to assess the budget process, consider altering it to meet the Village's financial situation, and determine a method for implementing the budget process.

#### November 2005

- *Preliminary Revenue Analysis:* As a part of the constraint budgeting philosophy, the Finance Director established revenue estimates for the General Fund in advance of distributing the worksheets to the Department Heads. Once the revenues were calculated, bottom line, constraint budget figures were established for each division's budget. This step in the process was completed in November 2005.
- *Redistribution Account Submittal and Review and Entering Fixed Costs:* Prior to releasing the General Fund budget worksheets for completion, any and all redistribution accounts were budgeted and dispersed to the individual budgets. This allowed Department Heads to be aware of up front costs before they determined the rest of their request. Redistribution accounts include those for building supplies and maintenance, grounds maintenance, and vehicle and equipment maintenance. In addition, the Finance Director projected personnel costs, and those figures were entered into the worksheets. All other fixed costs (human resources training, most transfers, audit costs, and so forth) were entered up front as well. This step of the process took place in November 2005.
- *Capital Improvement Plan Review:* The Public Works Director reviewed and evaluated the Capital Improvement Plans, which include Streets, Water and Sewer, and Parks.
- *Budget Worksheets Distributed to Department Heads:* Once the fixed costs had been added to each division's budget, the worksheets were distributed to Department Heads for review and completion.

#### January 2006

- *Budget Submissions by Department Heads:* Throughout December, the Department Heads analyzed and prioritized the needs for their division, and budgeted those necessary items and costs into their budget requests. They submitted their budget proposals over a staggered schedule throughout January 2006.

#### January to February 2006

- *Review of Submittals and Budget Meetings:* The Budget Officer, Finance Director, and Assistant Village Manager of Operations met with each Department Head to review budget proposals. Adjustments were made, as necessary, to ensure a balanced budget (in the case of the General Fund), and that the goals and priorities of the Village Board and staff were being met through the budget. These meetings took place throughout January and February 2006.
- *Board Review:* The Committee of the Whole met on January 24, 2006 to review the Capital Funds (MFT, Street Improvement, Park, and Water and Sewer Improvement and Construction Funds).
- *Board Review:* The Committee of the Whole met on February 14, 2006 to review the Enterprise Funds (Water and Sewer Operating, Cemetery, and Swimming Pool funds) and the Vehicle Maintenance Service Fund.

#### March 2006

- *Board Review:* On March 14, 2006, the Committee of the Whole met to review the General Fund and the remaining ("Other") funds.



- *Public Hearing:* A public hearing was held on March 21, 2006 to allow for citizen comment on the budget document. No comments were received.

#### April 2006

- *Official Adoption by the Village Board:* The Village Board officially adopted the Fiscal Year 2006-2007 budget on April 4, 2006.
- *Printing and Distribution of the Budget Document:* The budget document was compiled, printed, and distributed in April 2006. In addition, budget documents were filed with the Kane and McHenry County Clerks.
- *Finalization of Capital Improvement Plans:* The Public Works Director finalizes the Capital Improvement Plans based on available funding and discussions held throughout the budget process.

#### May 2006

- *Submittal to GFOA:* The budget will be submitted to the Government Finance Officer's Association for their consideration as part of GFOA's Distinguished Budget Awards program.
- *Implementation:* Throughout the May 1, 2006 to April 30, 2007 fiscal year, Village staff will focus on implementation of the budget. The Village Manager, Finance Director, and Department Heads all work together to ensure sound financial practices and consistent adherence to the budget.