

March 1, 2013

The Honorable President
and Board of Trustees
Village of La Grange
53 S. La Grange Road
La Grange, Illinois 60525

Dear President Asperger and Board of Trustees:

VILLAGE MANAGER'S MESSAGE

Presented herewith is the Village's Operating and Capital Improvements Budget for FY 2013-14 through FY 2017-18. Although we are only approving the budget for FY 2013-14, it has been the Village's long-standing practice to prepare a five-year financial plan. This comprehensive planning tool, which forecasts revenues and expenditures for future years, has empowered the Village Board in performing its fiduciary responsibilities and has allowed the Village to maintain a strong financial position over the long term. It is precisely this progressive approach to financial management that has allowed us to make spending decisions in an informed and controlled manner, rather than impulsively react to difficult circumstances.

Cost Containment Plan

In response to the recession and the corresponding fiscal stress which it placed on the Village's General Fund, the Village's management team initiated steps to reduce operating expenses below budget-authorized levels beginning in FY 2009-10. As personnel expenses (salaries and benefits combined) account for 85% of our expenditures, it was necessary to reduce those expenses quickly and effectively. The Village subsequently developed a comprehensive and multi-year cost containment strategy, largely involving a reduction of personnel expenses by \$500,000 per year, to stabilize Village finances.

While we have reported and chronicled to Village residents the details of the Village's cost containment plan, its success and continued importance in stabilizing Village finances warrants inclusion in this budget message. A line-item accounting of those budget reductions, limited to expenditures within the General Fund, is presented below.

Village of La Grange Cost Containment Plan
Four Year Summary – FY 2009-10 to FY 2012-13

	<u>Personnel</u>	<u>Non-Personnel</u>
<u>FY 2009-10</u>		
1. Reduce transfer from General Fund to Capital Projects Fund by \$100,000 (from \$1.0 M to \$900,000)		\$100,000
<u>FY 2010-11</u>		
1. Maintain 3 F/T vacancies across Police (0), Fire (1), & DPW (2)*	\$275,000	
2. Eliminated Part-Time Building Clerk Position (10 months)	\$25,000	
3. Second G UW vacancy in DPW, hired P/T meter reader to fill vacancy 11/1/11 due to early retirement of Police Dept. Lt.	\$75,000	
4. Second firefighter/paramedic vacancy (approx 6 months)	\$50,000	
5. Building Inspector reduction in hours (4 months)	\$5,000	
6. Village Manager Salary Freeze	\$5,000	
7. Eliminated “Canopy of Lights” - Holiday Walk		\$10,000
8. Reduced transfer from General Fund to Capital Projects Fund by \$200,000 (from \$900,000 to \$700,000) resulting in elimination of newly implemented sewer lining program 90K & manhole replacement program 35K; also reduced annual maint. programs: sidewalks (50K to 15k); sewer televising (35k to 25k); & crack fill program (25K to 20K); & reduced funding for future infrastructure projects		\$200,000
9. No annual transfer to ERF from General Fund Dept.'s		\$275,000
10. Extended replacement cycle for police squads from 2 to 3 years		\$75,000
11. Reduce funding for P/T Police Officer Program (from \$90,000 to \$45,000)	\$45,000	
*Vacancies in the Police & Fire Depts. currently exist for command level positions (Police Lt. and Fire Capt., respectively to gain further cost savings over time)		
<u>FY 2011-12</u>		
1. Non-union employee general wage adj. reduced from 2.7% to 2.0%	\$10,000	
2. Negotiated reduced contractual wage incr. w/Fire Union from 3.0% to 2.3%. The Fire Union also proposed a 1 yr. contract extension eff. 5/1/2013 w/a wage incr. of 1.0% in exchange for a no lay-off provision	\$15,000	

Village of La Grange Cost Containment Plan
Four Year Summary – FY 2009-10 to FY 2012-13

	<u>Personnel</u>	<u>Non-Personnel</u>
<u>FY 2011-12 (cont.)</u>		
3. Negotiated reduced contractual wage incr. w/DPW Union from 2.75% to 2.0%	\$15,000	
4. Increased employee contribution for group health insurance to 10% of total premiums & increased employee co-pays to reduce insurance renewal from 18% to budgeted 7.5%	\$50,000	
5. Salary freeze for Vlg's. mgmt. team — Asst. Vlg. Manager, Finance Director, Community Dev. Director, Director of Public Works, Police Chief & Fire Chief	\$45,000	
6. Salary freeze for Vlg. Manager — second consecutive year	\$10,000	
7. Eliminate P/T positions in Finance & Water	\$40,000	
8. Building Inspector reduction in hours (20% - full yr.)	\$15,000	
9. Eliminated YMCA membership/EAP program		\$10,000
10. Conduct CBD “tree wrapping” every other year		\$7,500
11. GIS not approved by Village Board, inc. in budget		\$5,000
<u>FY 2012-13</u>		
1. Increased employee contribution for health insurance from 10% to 12% of total premiums	\$25,000	
2. Salary Freeze for Village Manager for 3rd consecutive year	\$10,000	
3. Eliminated Residential Street Sign Replacement Program/Transfer to Capital Projects Fund		\$100,000
4. Eliminated annual contributions for adm vehicles for Adm & CD; extend useful life of all other vehicles by 1 yr., inc. squad cars from 2 to 3 yrs.		\$53,276
5. Transfer ERF reserve allocated for Adm vehicle back to General Fund		\$25,000
6. Increase PD Equip Mnt budget due to delayed purchase of squads		(\$15,000)
	\$715,000	\$845,776
Budget Reductions/GRAND TOTAL		\$1,560,776

Between the wage concessions, salary freezes, increased employee contributions towards health insurance premiums and maintaining vacancies as described above, it has been the Village's intent up to this point to not affect employee lay-offs, and to restore the vacated full-time positions once financial conditions improve to a sustainable level. Until then, the budget continues to maintain these vacancies for each of the next five fiscal years.

I would like to take this moment to thank Village employees for their cooperation. Their understanding and willingness to participate in a shared sacrifice today in order to secure a more certain tomorrow is very much appreciated.

We are hopeful that the Police Union and Telecommunication Operators Union will participate equally in the Village's cost containment plan regarding wage increases once an arbitration award has been made and negotiations have concluded for their expired contract and first-time contract, respectively. For purposes of financial planning, the budget assumes such a level of cooperation.

The Village's cost containment plan includes the commitment to continue to evaluate staff efficiencies and staffing needs through attrition, technology and as other opportunities arise.

We are also looking at the functional consolidation of core Village services. Here are several examples. First, in 2011, we eliminated the ladder truck from the Fire Department's apparatus fleet. We replaced it with a more versatile multipurpose vehicle which we will share with our auto aid/mutual aid partners. They will respond to us in-kind when we will be in need of a ladder truck. We hope to see more of this type of cooperative equipment sharing, which reduces redundancy and stretches taxpayer dollars among participating communities.

Second, the Village initiated a consolidation effort involving public safety services in 2010. A study was performed across FY 2010-11 and FY 2011-12 which concluded that sufficient compatibility existed between the Villages of La Grange, La Grange Park and Western Springs to share public safety services. A technical study was authorized in 2012 to analyze and recommend how to establish a combined dispatch arrangement between the three Villages. The final report is expected to be delivered in April 2013.

Third, should a combined dispatch facility be implemented, a natural progression to share/integrate police services can be expected to follow.

The Village's cost containment efforts through June, 2012 have resulted in expenditure reductions of over \$1.5M in the General Fund. The plan is working as intended. We have reduced General Fund deficit spending from \$550,000 in FY 2009-10 to \$95,000 at the end of FY 2011-12, with minimal revenue enhancements over the same period of time. In the last 3 fiscal years, the average annual property tax increase was 2.3% (4.1%; 0.1% and 2.7%), and the only revenue enhancement was an increase in the Village's vehicle license from \$20 to \$30 in FY 2010-11. Through a combination of additional expenditure cuts and limited and well-defined revenue enhancements which will be described below, the Village's current fiscal year is expected to yield a surplus in the General Fund.

Continued Budget Discussion and Evolving Fiscal Objectives

Despite the austerity measures described above, the Village continues to be challenged by: many of its revenue sources still below actual annual revenue levels prior to the recession; major operational and capital costs, health care expenditures, and required pension contributions in excess of those reduced revenues; and a State government which is unable to address its financial crisis and thus increasingly inclined to appropriate revenues designated for distribution to municipalities.

In addition to these major budgetary issues, the Village Board also expressed concerns during the budget adoption process last April about the cumulative effect which several planned tax (utility tax), fee (building permit) and rate (water rate) increases would have on Village residents who are also financially challenged by current economic conditions. Stated succinctly, the Village Board was concerned about the cost of Village government and its impact on Village residents.

This heightened policy-sensitivity to balancing the cost of government and its impact on taxpayers, prompted the Village Board last spring to continue a discussion of the Village budget in June 2012 after a provisional FY 2012-13 budget was adopted in April 2012.

Specifically, the Village Board sought to further examine and reduce operational expenditures in order to defer a proposed 1% increase in the municipal utility tax (from 3% to 4%) scheduled to be effective July 1, 2012 and which was to generate an additional \$150,000 per year for the Village. [A 1% increase in the simplified telecommunications tax (from 4% to 5%) was approved by the Village Board in March 2012. In addition, the building permit fee structure was revised to improve cost recovery, which also included indexing certain fees to those charged by comparable communities. That revised fee structure was approved by the Village Board in April 2012].

The provisional budget resulted in a \$175,000 annual shortfall in revenue to the General Fund, creating a one-year deficit in the amount of \$133,000.

There was considerable discussion by the Village Board regarding fiscal objectives and expenditure reductions. (There was also a brief discussion regarding an amusement tax.) At the conclusion of the discussion, it was the consensus of the Village Board to approve further budget adjustments/expenditure reductions within the provisional FY 2012-13 Village budget, as recommended by staff, in the amount of \$163,278. The specific budget adjustments made by the Village Board are listed in the preceding section on the cost containment plan as the last four entries under FY 2012-13.

With these budget amendments, the Village Board produced a projected surplus of \$32,000 for the General Fund in FY 2012-13 and a projected surplus of \$25,000 in FY 2013-14. Through this effort, the Village Board was also able to postpone the utility tax increase to FY 2014-15. In total, the Village has reduced budget expenditures by \$1,560,776 over the past four fiscal years.

During the course of that budget workshop discussion, the Village Board provided staff with consensus commentary as enumerated below. We took these general comments as evolving

fiscal objectives for the here and now, as well as into operational budget development for FY 2013-14.

1. Continue with the Village Board's over-arching strategic goal to preserve the quality of life in La Grange. Do so by continuing to deliver core Village services in a high quality, cost-effective manner.
2. Be sensitive to the cost of delivering those Village services. Be creative and innovative in doing things differently in order to sustain or improve upon our current business/service delivery methods.
3. Optimize spending. Get as much value as possible for the purchase price or service cost being paid. Closely and carefully scrutinize spending/purchases, especially when the cost of delivering that service may prompt a tax increase.
4. The Village Board is concerned with deficit spending and its corresponding erosion of reserves.
5. Village employees and the Village's management team are highly-valued assets. No lay-offs are envisioned by the Village Board; only as a last resort. Staff reductions can be considered, if appropriate and thoughtful, through attrition.

The Village Board also commented more generally and individually about fiscal objectives over the long term. They were as follows:

1. Consider/desire to see structural changes to reduce operational (personnel) expenses.
2. Attempt to maintain operational (personnel) expenses within the property tax limitation cap/CPI.
3. Reserve tax/fee increases for more extraordinary circumstances, or for infrastructure improvements. Not comfortable with paying more for the same service. Expect to operate within existing revenues.

Pre-Budget Development Workshops

In follow-up to the continued budget discussion, the Village's management team reviewed the Village Board's budget management expectations and concerns with financial sustainability of the General Fund over the long term. It occurred to us that the upcoming budget development process needed to be different and should be different — whether it was to discuss sensitive budget issues earlier in the process, or conducting informational pieces or budget-related policy discussions in smaller segments in order to have full and frank discussions among Board members and between the Village Board and staff. The conventional budget process last year did not seem to provide the necessary outlet for the Village Board to discuss budget issues of individual interest.

In an effort to be responsive to the Village Board, we determined in consultation with President Asperger, that conducting a series of pre-budget development workshops would provide the most appropriate venue in which to thoroughly vet the more sensitive budget issues and subsequently plan for major revenues and expenditures in advance of operational development of the Village budget for FY 2013-14. More specifically, the pre-budget development workshops were designed to take these smaller/segmented budget issues and specific interests by individual members of the Village Board, and (i) discuss them, (ii) prioritize them, (iii) so that disciplined consensus direction could be provided to Village staff.

The workshops were divided between the two main budget categories -- revenues and expenditures -- with several significant budget issues within each category identified for discussion. A mini-workshop setting forth the organizational framework for these workshops was communicated in September 2012 and no exceptions were taken by the Village Board.

The workshop dedicated to revenues was conducted in October 2012. Matters specifically discussed included: (i) the amount of the anticipated increase in the Village's 2012 property tax levy and the impact with adopting a tax levy amount below the tax cap; (ii) the proposed utility tax increase; (iii) an amusement tax; and (iv) other potential revenue enhancements.

At the conclusion of the workshop, the Village Board provided the following consensus direction to staff:

1. Continue with the Village's practice for levying its property tax amounts in accordance with the CPI as allowed by law (i.e. — tax cap limitation). It was also noted that this tax levy method should not be the standard, but rather discussed and considered annually.
2. Based on mixed responses, the general direction provided by the Village Board concerning the proposed increase in the Village's utility tax was as follows: (a) acceptance that the utility tax increase is a critical component of the FY 2014-15 budget and is being used as a place holder; (b) consider revenues and expenditures as a whole on an annual basis; and (c) hesitant to consider any new fees or taxes; substantial justification would be needed and required to proceed.
3. During the continued budget discussion back in June, the Village Board was not supportive of an amusement tax; however, staff was asked to gather additional information. Following a discussion of that additional information, the consensus of the Village Board did not change, and there was no interest to pursue an amusement tax for one significant business in the Village at that time.
4. There was no interest by the Village Board to pursue an increase in the Village's non-home rule sales tax at this time.

The workshop dedicated to expenditures was conducted in November 2012. Matters specifically discussed were: (i) employee compensation; (ii) employee health insurance; (iii) salary/cost allocations to the Water Fund; and (iv) pension funding.

At the conclusion of the workshop, the Village Board provided the following consensus direction to staff:

1. Support of a staff request for an opportunity to investigate and evaluate municipal trends related to employee compensation. Also, support of a staff recommendation for a balanced approach to affecting structural changes to compensation where appropriate, while at the same time maintaining a capable, professional and dedicated workforce.
2. After an engaged and extensive discussion with the Village's benefits consultant regarding employee health insurance, the Village Board was satisfied with the consultant's assessment that the Village's HMO plan as presently structured was cost effective and that the 12% employee contribution towards premiums was competitive. Consequently, it was the consensus of the Village Board to not make any additional changes to this employee benefit at this time. However, it is also expected that staff will continue to evaluate future opportunities to reduce health insurance expenses.
3. Maintain current salary allocations to the Village's Water Fund as reflected in the adopted budget.
4. Accept the preliminary property tax levies for the Village's police and fire pension levies as recommended by their respective pension boards.

Executive Summary/Proposed General Fund Budget

We as an Executive Team (elected officials, Village management, and Department Heads) have spent a vast majority of our time this past calendar year on Village finances and budget issues. It appears that this collaboration and allocation of time has benefitted the taxpayers of La Grange.

We are beginning to realize the annual and compounded savings of the cost containment plan. Village finances are stabilizing. However, the Village Board further challenged us to continue to operate within existing resources and to optimize opportunities for cost savings. We are rising to meet challenge. As you will note from the General Fund Balance Summary, we are anticipating a surplus at the end of the current fiscal year (April 30, 2013). In addition, we are proposing a balanced budget for each of the next five fiscal years in the General Fund. Reserves continue to remain at or above our minimum target range. At the end of this five-year financial planning period, General Fund reserves are projected to be at 49.99%.

The proposed increase in the Village's utility tax continues to be reflected in FY 2014-15, resulting in a healthy surplus at the end of that year. While it is possible for the Village Board to postpone the implementation of the proposed utility tax increase to FY 2015-16, and still maintain a five-year financial plan with a balanced budget in each fiscal year, we do not recommend such an adjustment at this time. It would be fiscally conservative to continue to hold the proposed utility tax increase as scheduled in FY 2014-15 for at least one more fiscal year due to the following budget uncertainties which may adversely impact the General Fund: (1) shortfall in the Emergency Telephone Systems Board revenue; (2) shortfall in telecommunications tax revenue; (3) continuation of the fragile financial condition of State

government; and (4) imposition of employer-based fees which are related to the implementation of national health care reform and expected to become effective in 2014.

We continue to advocate a balanced approach to budgeting, whereby trends of existing revenues will be evaluated annually against expenditures. In the interim, we will continue to work in earnest towards the Village Board's long term fiscal objectives.

Financial Management Achievements

The strength of our financial management is well recognized and remains a strategic priority for the Village Board. As a result, the Village Board is very proud of the financial achievements and distinctions which have been awarded to the Village in recognition of its strong financial management. They are as follows:

1. In August 2012, **Moody's Investors Service assigned a Aa2 credit rating** to the Village which is an extremely high credit rating for a non-home rule municipality. The assignment of a Aa2 bond rating recognizes the Village's strong financial conditions despite modest operating deficits in recent years characterized by healthy reserve levels, manageable debt burden with limited future borrowing plans. Moody's also notes that despite a substantial decline in assessed valuation in 2012, reflected by the triennial reassessment, the Village's tax base is expected to remain stable over the long-term due to its affluent tax base and proximately to Chicago.

This strong credit rating allowed the Village to obtain favorable interest rates when required to issue debt, as was most recently demonstrated with the refunding of the Library bonds for the construction of a new library building, and to finance the cost of replacing water meters and performing rehabilitation of the Village's water pumping station through the Water Fund.

2. Government Finance Officer Association's ***Distinguished Budget Award***. This award reflects the Village's commitment to meeting the highest principles of governmental budgeting. In order to receive the award, the Village must satisfy nationally recognized guidelines for effective budget presentation. The guidelines assess how well the Village budget serves as a policy document, a financial plan, an operations guide and a communication device. With the receipt of this award for the FY 2012-13 budget, the Village has received this prestigious award for eighteen consecutive years.
3. Government Finance Officer Association's ***Certificate of Achievement for Comprehensive Annual Financial Reporting***. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by the Village. Receipt of the Certificate of Achievement recognizes the Village has met the high national standards of the program including demonstrating a constructive spirit of full disclosure to clearly communicate its financial story and motivate potential users to read the financial statements. The Village has received the Certificate of Achievement for seventeen consecutive years.

4. The Village received an unqualified or clean audit opinion on the financial statements for the year ending April 30, 2012.

A. THE BUDGET PROCESS

Budget packets are distributed to Department Heads in the fall of each year with specific guidelines as to anticipated increases or decreases. We develop appropriate goals, objectives and performance standards. A preliminary tax levy is developed, appropriate public hearings are held and a final tax levy is adopted and filed with the County prior to the last Tuesday in December as required by State statute.

At the beginning of each calendar year, departmental budget meetings are held to review, discuss and adjust proposed budgets in accordance with established policy and our ability to fund new initiatives and existing programs. Village Board strategic planning sessions are held every other year to develop Village policy, goals and objectives and provide staff direction. These priorities are then carried forward into the budget process for funding prioritization by the Village Board.

New this year was the introduction of two pre-budget development workshops — one dedicated to revenues and the other dedicated to expenditures.

A Capital Projects workshop is held with the Village Board and staff in late January/early February of each year. Street, water and sewer improvements and other major expenditures are discussed to determine which projects will be necessary on a long and short-term basis. Project priorities, timing of the improvements and proposed funding are also addressed.

A budget workshop is then held with the Village Board and staff to discuss the proposed five-year operating budget. Any revisions are included in the final document which must be adopted prior to May 1, the beginning of the next fiscal year.

Pursuant to Village ordinance, revisions of the annual budget that alter the total expenditures of any fund (budget amendment) may be approved by a two-thirds vote of the Village Board. The Village Manager may revise the annual budget by changing line items in the same general category without Board approval. The level of budgetary control (i.e. the level at which expenditures cannot legally exceed the budgeted amount) is at the fund level.

B. MAJOR BUDGETED ITEMS

As has been our practice, we budget revenues conservatively using estimates provided by the Illinois Municipal League as well as our own experience and projections. Expenses are budgeted in a manner using previous years' history as a guideline and factoring in projects, programs and purchases for the current year as discussed with the Department Heads and consistent with our anticipated revenues.

1. General Fund

Detailed below is a summary of General Fund revenues, expenditures and annual surplus/deficits for FY 2012-13 and FY 2013-14:

	FY 2012-13	FY 2012-13	FY 2013-14
REVENUES	<u>BUDGET</u>	<u>EST. ACTUAL</u>	<u>BUDGET</u>
Property Taxes	6,240,336	6,143,539	6,471,546
Other Taxes	4,506,965	4,544,760	4,728,903
Fines/Licenses/Permits	1,114,405	1,096,655	1,165,901
Grants	66,600	82,933	68,600
Interest Income	70,000	31,000	45,000
Miscellaneous	328,100	449,049	328,100
Transfers In	100,000	100,000	50,000
Total Revenues	<u>12,426,406</u>	<u>12,447,936</u>	<u>12,858,050</u>
EXPENDITURES			
Administrative	2,165,125	2,187,300	2,145,436
Public Safety	7,577,482	7,565,540	7,888,685
Public Works	1,935,777	1,831,985	1,939,207
Transfers Out	716,000	716,000	819,000
Total Expenditures	<u>12,394,384</u>	<u>12,300,825</u>	<u>12,792,329</u>
Surplus/Deficit	<u>32,023</u>	<u>147,110</u>	<u>65,721</u>

Revenues - FY 2012-13 total estimated actual revenues of \$12,447,936 are \$21,530 (0.2%) more than budgeted. Property tax revenues are projected to be under budget in FY 2012-13 due to the impact of new growth of 2.5 million Equalized Assessed Valuation (EAV) on the 2011 tax levy, as compared to estimated new growth of 7.5 million EAV; and delayed tax receipts from home foreclosures and prior year tax credits from property assessment appeals. Property tax revenue budgeted in FY 2013-14 includes the allowable property tax cap limitation of 3.0 percent and estimated new growth from residential and commercial construction during the next fiscal year.

Other tax revenues are expected to be slightly over budget in FY 2012-13 due to an increase in Income Tax receipts resulting from continued signs of an economic recovery and declining unemployment rate. Sales tax revenue is also estimated to be over budget due to newly opened restaurants and retailers have more than made up for the lost sales tax from the closing of Borders in 2011.

The increase in other tax revenue is partially offset by the Municipal Utility tax which is estimated to be under budget due to decreases in natural gas prices and the recent mild winter conditions. In addition, Simplified Telecommunication Tax revenue is estimated to be under budget as, pursuant to statutory requirements, the approved 1% increase did not go into effect until July 1, 2012. This line item may also be impacted at year end due to bundling of phone services and elimination of residential/business phone lines.

Fines, licenses and permits are anticipated to be under budget due to a decrease in ticket revenue from Village and Compliance Violations, resulting from temporary vacancies created by resignations in the Police Department. In addition, the Police Department has experienced extended leaves due to work-related injuries, focused on patrol within the Central Business District, turnover of part-time police officers, and parking compliance. Partially offsetting this decrease in revenue, is the number of building permits issued for new residential construction projects, garages, porches, additions and commercial permits which have increased over previous year's activity.

Interest income is estimated to be under budget in FY 2012-13 due to short-term interest rates remaining at less than one half of one percent due to the weakened economy. FY 2013-14 interest income reflects low interest rates continuing through the next fiscal year. It is anticipated that interest rates will increase in subsequent years as the economy recovers. However, we may see further reductions of interest earnings depending upon changes in economic conditions.

Miscellaneous Revenue is estimated to be over budget in FY 2012-13 due to significant reimbursements for legal costs associated with prosecution services involving property cases, demolition/asbestos removal, and damage to Village property.

FY 2012-13 Transfers In revenue includes a one-time transfer from ERF in the amount of \$25,000. The transfer is the result of ongoing cost containment efforts which determined that the administrative vehicle would not be replaced. The transfer reflects available reserve funds in ERF intended for the future replacement of the administrative vehicle.

FY 2013-14 Transfers In revenue reflects a reduction in the transfer of ETSB funds to offset the cost of personnel directly attributable to the operation of the emergency telephone system, due to a significant decrease in ETSB wireless fees.

Expenditures - FY 2012-13 estimated actual expenditures of \$12,300,825 are \$93,559 (0.7%) less than had been budgeted. FY 2012-13 expenditures reflect the continuation of the cost containment plan, which was implemented in FY 2009-10. As personnel expenditures account for approximately 85 percent of General Fund expenditures, the cost-containment plan focuses on reducing personnel costs while maintaining current Village services, to the extent possible.

The cost containment plan primarily includes maintaining vacancies, through attrition, in all operating departments and restructuring of several administrative positions. Staffing levels for all departments will remain as currently identified in the budget document as it is the Village's intent to return to these staffing levels as soon as it becomes feasible without creating an additional financial burden on the Village's long-term fiscal condition. The cost containment plan also includes reduced general wage increases for union and non-union employees and increased employee contributions for health care coverage.

Administrative expenditures are slightly over budget in FY 2012-13 due to legal expenditures relating to a Police Union arbitration case pertaining to the labor contract which expired April 30, 2011 and the ongoing negotiations of first-time collective bargaining agreement with telecommunication operators. In addition, the Community Development Department incurred

professional service fees relating to a court ordered demolition and asbestos abatement of a foreclosed property, which were reimbursable.

FY 2012-13 Public Safety expenditures are slightly under budget due to full-time salaries being under budget due to short-term, temporary vacancies created by the resignations of two police officers and a firefighter during the fiscal year. These savings were partially offset by an increase in overtime expenditures resulting from police officers and firefighters covering shifts as the newly hired public safety employees were being trained.

Public Works expenditures are also under budget in FY 2012-13 due to a decrease in overtime expenditures and salt expenditures resulting from the mild winter conditions. In addition, several operational expenditures were under budget during the fiscal year, including electricity for residential street lights and leaf disposal costs.

Transfers Out in FY 2012-13 includes the annual contribution from the General Fund to the Capital Projects Fund for capital improvements. Due to ongoing cost containment efforts, the Sign Enhancement Project in the Capital Projects Fund was eliminated in FY 2012-13, resulting in the transfer from the General Fund being reduced by \$100,000.

Transfers Out also includes the annual contribution from the General Fund to the Parking Fund to partially fund parking operations and maintenance of Village lots and the parking structure. Beginning in FY 2012-13, this transfer increases annually to reflect increased costs associated with operations and maintenance of Village parking lots.

Significant expenditures reflected in the FY 2013-14 General Fund budget include:

- Employer contributions for pension obligations (IMRF, FICA, Police Pension Fund and Fire Pension Fund) increase by \$153,195 (7.6%), from \$2,020,447 to \$2,173,642. Employer contributions to the Police and Fire Pension Funds are based on annual actuarial valuations and updates. As full valuations were completed last year, and in lieu of the scheduled actuarial updates, the Police and Fire Pension Fund Boards' submitted 2012 annual tax levy requests which include a 5% increase over the prior year contributions.

When the next full actuarial valuation is completed for the 2013 tax levy, the actuary will factor in two years of actual investment income, using the 5-year smoothed market method as required by pension reform legislation and actual participant experience including wages, retirements, resignations, mortality, etc.

- In response to increasing health insurance costs during most of this decade, the Village has shifted this financial burden onto employees in the form of plan design changes and increased co-payments.

Due to the continued rising cost of health insurance coverage, the Village increased the employee contribution to 10% of total premiums effective May 1, 2011 and to 12% effective May 1, 2012.

The health insurance contract for FY 2013-14 has been finalized with a 3.0% increase in premiums (which is 4.5% below budget.) The savings from this favorable renewal has been incorporated into the proposed budget.

- Annual wage adjustment increases of 3.0% for FY 2013-14 are based on available Consumer Price Index (CPI) information which is used by Cook County to calculate limitations on property tax extensions. Also included in the budget figure is an annual 2.75 percent average merit increase for non-union employees which is based upon annual performance evaluations. For non-union employees who have reached maximum salary within a position classification, merit increases are awarded in the form of a bonus. The FY 2013-14 budget also reflects wage adjustments for unionized employees in a manner consistent with the cost containment plan for non-unionized employees.

Personnel - As a service oriented entity, personnel and benefit costs comprise a large percentage of annual expenditures. The Village recognizes there is a minimum level of staffing required in order to provide the excellent level of services our community has come to expect. Some of these services, such as police and fire protection, are highly visible. Others, such as water and sewer maintenance, are less visible yet vital for public health and safety.

The FY 2013-14 budget authorizes 99 full-time employees and 27 regular and seasonal part-time positions. Although the Village implemented a cost-containment plan which includes maintaining several full-time vacancies, authorized levels remain as currently identified in the budget document as it is the Village's intent to return to these staffing levels as soon as it becomes feasible without creating an additional financial burden on the Village's long-term fiscal condition. The budget does reflect the reduction of one part-time building clerk position in the Community Development Department which was vacant due to a retirement. To achieve further cost savings, two additional part-time positions were eliminated due to restructuring within the Public Works and Finance Departments. The duties of the part-time positions have been redistributed within the departments and are not anticipated to impact operations.

The Village maintains a Position Classification System and Employee Compensation Plan for each authorized position, with the exception of unionized personnel. In order to recruit and retain qualified personnel, it is the Village's policy to establish salary ranges, by position, based upon comparable classifications from a municipal salary survey. Salary ranges are indexed to the market place every three years in conjunction with the Triennial Reassessment to properly maintain the Village's compensation plan. Due to our current financial condition, no marketplace survey and no equity adjustments are planned at this time.

As a result of a new state law, which went into effect in 2012, employee compensation and benefit information has been posted to the Village's website. These compensation and benefit spreadsheets are included in the Personnel section of the final budget document. As noted earlier, Village management will be investigating municipal trends as to employee compensation to determine if structural changes should be adopted to the Village's compensation plan.

Fund Balance - The General Fund's reserve balance at the conclusion of FY 2013-14 is estimated to be \$6.8 million or 53.6 percent of annual operating expenses. As state and local

financial conditions have yet to stabilize, it is advisable to retain an adequate fund balance for contingencies and emergencies. Cook County is often very slow in submitting property tax payments and we thereby have a fund balance to meet our ongoing obligations rather than resorting to costly tax anticipation warrants. An adequate fund balance reserve also allows the Village to maintain a strong bond/credit rating.

Based upon revenue and expenditure projections included as part of the Village's five-year proposed operating and capital budget plan, the General Fund reserve balance decreases to 49.9 percent in FY 2017-18, which is slightly below the targeted reserve range. As the economy begins to recover and revenues return to previous levels, it is our intention to remain fiscally conservative with general operating expenditures in order to return to well within the targeted fund balance range of 50% to 75% of annual operating expenditures.

2. Foreign Fire Insurance Tax Fund

The Village Board has enacted a Foreign Fire Insurance Tax Fund, to be administered by a Foreign Fire Insurance Tax Board composed of members of the Fire Department for the purpose of purchasing equipment to support the core functions and essential activities of the Fire Department. Recent purchases include a motorized power lift assist stretcher, extrication tools, fitness equipment, kitchen appliances and furniture for the living quarters.

3. Tax Increment Finance Fund

The La Grange Village Board passed an ordinance on December 14, 2009, terminating the designation of the La Grange downtown TIF District. The Tax Increment Finance Fund was established in 1986 in order to undertake the economic revitalization of the Central Business District. It was funded by a property tax and a sales tax increment derived from increases in property tax and sales tax over and above these taxes generated in the base year (1986) within the district.

Although the TIF Fund is no longer included in the current operating budget, it is important to note the significant projects and accomplishments which occurred during the tenure of the La Grange TIF including the renovation of the La Grange Theater, construction of the Central Business District parking structure and public plaza, the Triangle Redevelopment Project, downtown streetscape beautification projects, contributions of over \$1.1 million to School District #102 for exterior improvements at historic Cossitt School located within the TIF District, redevelopment of Block 122, resulting in residential development at 14 S. Ashland Avenue and de-malling Calendar Court and re-opening Calendar Avenue.

With the end of the TIF District, the expanded tax base resulting from the revitalization of the district generates additional property tax revenue of approximately \$2.9 million annually, which was made available to the Village, school districts, park district and library beginning with the 2009 tax levy received in FY 2010-11. In addition, a distribution of surplus TIF funds totaling approximately \$5.5 million was divided proportionally to affected taxing bodies.

4. Emergency Telephone System - E 911 Fund

Revenues received from the 911 Surcharge Fee are calculated based on a monthly fee of \$.75 per land line. This is an extremely low rate, as the rate of surrounding municipalities range from \$1.25 to more than \$3.00/per line per month.

The State's Central Management Service (CMS) assesses and collects an additional \$.73 line charge on wireless phones. Of this fee amount, the Village receives approximately \$.49 per line. The balance of the funds generated by the wireless fee is used to provide telecommunication services to rural areas within the State.

Please note, ETSB revenues decreased significantly due to a new law which became effective January 1, 2012. The new law changed the collection and distribution methods for prepaid wireless 911 fees. Due to the significant decrease in revenue, beginning in FY 2013-14 the transfer to ERF for the future replacement of 911 equipment has been eliminated, and the transfer to the General Fund for personnel costs attributable directly to the operation of the emergency telephone system has been reduced.

These adjustments to the ETSB budget will extend the fund's reserves, during which time the technical study to examine operational, capital, financial and governance issues relating to a combined dispatch center is being completed, evaluated and implemented. Approximately \$450,000 of reserve funds remain available within ERF for potential costs associated with consolidated dispatch and/or the future replacement of 911 equipment.

5. Capital Projects Fund

Capital projects continue to be the centerpiece of our Operating and Capital Improvements Budget. An annual transfer is made from the General Fund to the Capital Projects Fund to support major infrastructure improvements. This transfer may vary based upon available funding in the General Fund after providing funding for annual operating expenditures. Due to the economic recession which has negatively impacted Village revenues, the transfer for capital improvements was reduced by \$100,000 in FY 2009-10 and further reduced by \$200,000 beginning in FY 2010-11. In order to complete proposed capital projects as previously budgeted, annual maintenance programs have been temporarily reduced and/or eliminated. It is anticipated that these short-term reductions in funding will not have a material impact on delivery of services to residents.

Annual transfers from Motor Fuel Tax (MFT) are scheduled to fund the Village's thirty percent local match of future federal Surface Transportation Program (STP) grant projects, future segments of the Maple Avenue Relief Sewer and eligible street resurfacing projects. The proposed five-year Capital Improvement Program includes a total of more than \$7 million in infrastructure improvement projects and major maintenance programs.

The largest project scheduled in FY 2013-14 is the completion of the second stage of the Maple Avenue Relief Sewer (MARS) project. Preliminary engineering confirms a shallow rock layer along Maple Avenue, resulting in additional excavation costs for this segment of the project. Based on revised cost estimates, it is anticipated that construction of the relief sewer will extend

from roughly Bluff Avenue to 7th Avenue. Village staff will continue to search and apply for grants and identify alternate funding sources to offset the costs of construction.

A street condition survey was also recently completed which provides a reliable set of baseline information, allowing for a more data-driven approach to street resurfacing by allocating resources on a block segment basis which allows us to resurface street segments with the greatest need within the annual budget allotment. The intent is to maximize available resources by performing work to extend the underlying integrity of the roadway and thus avoid prematurely incurring the cost of street reconstruction. A map of the streets scheduled for resurfacing over the next five-year budget period can be found in the Capital Improvement Program (CIP) Summary section of the budget.

Pursuant to a discussion by the Village Board, staff was directed to pursue the installation of an enhanced crossing, with a stop condition, at 47th Street and Waiola Avenue and to upgrade the existing pedestrian crossing at 47th Street and 9th Avenue to a stop condition. These improvements are part of the Village's strategy of evaluating and improving pedestrian safety throughout the Village. The proposed design of these two pedestrian crossings provides for the installation of a pedestrian activated red signal that would require vehicles to stop at the intersection. Staff is also pursuing a designated 20 mph school speed zone along Ogden Avenue between Park Road and Spring Avenue due to the multiple schools within this corridor that are adjacent to the roadway. The Village is also participating in an intergovernmental cooperative with the Village of Western Springs to install a traffic signal within the Willow Springs Road corridor, which would serve Denning Park in La Grange, and the Lyons Township High School south campus in Western Springs. These improvements are part of the Village's strategy of evaluating and improving traffic and pedestrian safety throughout the Village.

Staff is currently working with the DCEO and state representatives to reallocate funding currently designated in the State's Capital Bill for a pedestrian bridge over Ogden Avenue to these pedestrian safety improvements. Once approval from the DCEO is received a total of \$400,000 would be available to fund these projects. In order for the project to move forward both a permit from IDOT and funding from the state need to be obtained.

Additional information on these capital improvement projects can be found in the notes section of the Capital Projects Fund.

6. Water Fund

The Village issued a \$2,100,000 alternate revenue bond in FY 2012-13 to fund a water meter replacement program and improvements at the East Avenue Water Pumping Station. The majority of water meters in the Village are 20 to 25 years old and have exceeded their life expectancy. In order to improve the Village's water accountability, the Village engaged a contractor to replace all of the meters throughout the Village in a single year rather than utilizing Village staff to install the water meters over a longer time frame, as was previously proposed. In addition to the replacement of the water meters, new technology will be implemented that reads meters without the need for an employee to go to each home.

The Village's pumping station was constructed in 1984. Many of the components within the station have reached the end of their useful life and are in need of replacement. These repairs will support the continued delivery of potable water to residents and reduce operating costs over the long term. Due to the timing of other capital projects and the necessary planning and analysis required to implement the water meter replacement program and pumping station improvements, the projects have been rescheduled in FY 2013-14.

The Water Fund was established as an enterprise fund to finance the cost of operating, maintaining and replacing the Village's water distribution system. It has been a longstanding Village policy to "pass on" water rate increases from the Village of McCook which supplies Lake Michigan water to the Village. McCook receives Lake Michigan water directly from the City of Chicago. The City of Chicago announced water rate increases in the amounts of 25%, 15%, 15% and 15% over four years starting on January 1, 2012.

In order for the Water Fund to continue to 1) fund ongoing operations including the water rate increase from the City of Chicago, 2) fund the water meter replacement program/pumping station bonds 3) remain active with the replacement of water mains as part of the neighborhood street replacement program, 4) replace mains where known deficiencies exist within the system and 5) rebuild/maintain reserves; water rate increases in the amount of 15%, 7.5%, 7.5% and 7.5% are included in the proposed budget over four fiscal years starting May 1, 2012.

It is estimated that the initial 15% increase will cost homeowners approximately \$100 annually, with the three subsequent 7.5% increases costing homeowners approximately \$65 each year.

While we have developed this plan based on the proposed City of Chicago rate increases, we will evaluate future Village water rate increases, one year at a time, pending actual rate increases from McCook and Chicago and results of the water meter replacement program.

Please note the Village rate increases are significantly less than the City of Chicago rate increases as they are primarily applied to the cost of the water purchased in the Water Fund, which is just one component of the total expenses for providing water to residents.

7. Parking Fund

Pursuant to recommendations from the Village's parking consultant, parking permit increases are scheduled in smaller increments on consistent intervals (four to five years) rather than larger increases with less frequency. Increases in parking decals, meter receipts and fines are necessary to offset rising personnel costs for enforcement and increased maintenance costs. Residential and commuter parking decals are scheduled to increase again in FY 2013-14.

The Parking Fund budget also includes an annual transfer from the General Fund to continue to subsidize the operations and maintenance of the parking structure. Annual maintenance and operating expenses include a reserve for structural maintenance required every three to five years such as concrete repair and sealing expansion joints.

Funds are budgeted in FY 2013-14 for surface lot repair and improvements in Lot #13 (Brainard & Burlington Avenues). Originally, the asphalt parking lot was simply to be resurfaced.

However, the Village applied for and received two IEPA Green Infrastructure Program grants to replace the asphalt surface with permeable pavers.

Lot #13 construction is scheduled to occur during the summer months when Lyons Township High School is not in session. Construction will also be coordinated with improvements at the Brainard Avenue Crossing and possible extension of the Stone Avenue train station platform to the west, which may involve changes to Lot 13. During construction, Lot 13 decal holders will be redirected to park in other zones in the Stone Avenue station area.

8. Equipment Replacement Fund (ERF)

The Village maintains equipment replacement schedules which provide for the pay-as-you-go purchase and replacement of Village vehicles and equipment costing in excess of \$10,000. Monies are transferred annually from individual operating funds (General, Water, Parking and Sewer) to the ERF based on 85-90 percent of the estimated replacement cost and the estimated useful life of each particular item. The funding of transfers is determined by analyzing the effects on the fund of interest income, increasing replacement costs and trade-in values of equipment being replaced.

FY 2010-11 charges for services reflect the elimination of the annual transfer from all operating departments within the General Fund for one year, to offset the increased cost of employer contributions (tax levies) to the La Grange Police and Fire pension funds. However, the elimination of this transfer does not result in the delayed purchase of any Village equipment or vehicles, but simply reduces the ERF funded balance from approximately 100% to 90%. It is anticipated that the ERF funded status will return to 100% in the future as actual purchases may be bid under budget, interest income increases, and the useful lives of current vehicles and equipment are extended due to regularly scheduled maintenance programs.

The FY 2013-14 budget includes \$802,000 for the replacement of Village vehicles and equipment. Details of the items scheduled for replacement can be found in the ERF section of the budget.

9. Police and Fire Pension Funds

The Police and Fire Pension Funds are assessed based on annual independent actuarial valuations and updates of each fund. As a full valuation was completed last year, and in lieu of the scheduled actuarial update, the Police and Fire Pension Fund Boards submitted a 2012 annual tax levy request to the Village Board as currently reflected in the FY 2012-13 operating budget which includes a 5 percent increase over the 2011 tax levy, as determined by the most recent independent actuarial valuation. When the next full actuarial valuations are completed for the 2013 tax levy, the actuary will factor in two years of actual investment income, using the 5-year smoothed market method as required by pension reform legislation and actual participant experience including wages, retirements, resignations, mortality, etc.

The proposed five year budget (FY 2013-14) reflects maintaining the current employer contribution with 5% increases in subsequent years. In order to maintain this funding level and remain committed to fully funding the annual employer contribution to the pension fund, the

Village has implemented a cost containment plan to further reduce operating and capital expenditures.

Due to the recent funding changes resulting from pension reform legislation, which decreased employer contributions, last year the Village and pension boards had the opportunity to reduce the pension interest rate assumption from 7.5% to 7.0%, without creating an additional financial burden on the Village budget. The net result from the pension reform legislation and change in actuarial assumptions was only a small increase in the Village's required annual contribution in FY 2012-13. Additional information on the new pension legislation can be found in the notes section of the Police and Fire Pension Funds.

The pension funds remain positioned to participate in the recovery of the domestic and international markets. The pension boards will continue to closely monitor investment returns and funding status in consultation with its advisors. As long as the Village remains committed to annually fund required contributions (tax levies) as determined by the actuarial valuations, the pension funds will reach the required funding level within the statutory timeframe.

10. Sewer Fund

The Sewer Fund was established as an enterprise fund to finance the cost of sanitary sewer expenses. The Village's sewer system consists of three types of flows: storm, sanitary and combined. In order to provide funding for projected operations and capital expenditures and to rebuild sewer reserves, the budget includes sewer rate increases of ten percent each year for three consecutive years, beginning in FY 2013-14. We estimate that these planned increases will result in an increase of \$15 per year for each sewer customer. As we continue with aggressive repairs and main replacement, we may need to consider additional rate increases to fund sewer projects and maintain adequate reserves.

C. STRATEGIC PLANNING

In November 2011, the Village Board conducted a two-day planning session to discuss goals and objectives for the next two years. There was considerable discussion and refinement of existing strategic goals by the Village Board. Many of those goals were recognized as having achieved considerable progress and thus were designated as being operational rather than strategic in nature. Others were vetted and were either deemed as no longer relevant or accomplished. The remainder were carried forward and categorized under six broad categories generally referenced as core values.

The over-arching mission / core value for the Village continues to be to "preserve and enhance the quality of life we enjoy in La Grange." The five other core values expressed by the Village Board were as follows: (1) Community Vitality; (2) Delivery of Core Services; (3) Maintenance and Capital Planning for our Aging Infrastructure; (4) Structure, Support and Develop Staff Resources to Deliver Core Services; and (5) Maintain the Village's Strong Financial Position.

There was also considerable discussion between the Village Board and the management team regarding the current limited resource environment, economic trends, impact of our State's

financial situation and related outlooks. Reflecting on these economic realities, no new strategic goals were added by the Village Board. As a result, the twelve strategic goals identified by the Village Board which are to occupy the Village's attention for the next two years were classified as short term (short term planning for long term positioning).

Major areas of emphasis for the Village going forward include: strong financial management through continuation of the Village's cost containment plan; continued evaluation of technology as a means to maintain institutional knowledge and improve operational efficiency, including document management and retrieval; capital asset maintenance and replacement of the Village's street, water, and sewer infrastructure; create a facilities plan to maintain and replace Village buildings; continue to explore opportunities for functional consolidation of core services; continue with public safety efforts; continue existing economic development initiatives; develop a revised economic development plan and approach; develop a strategic parking management plan; and complete the zoning code updates.

The operational and capital expenditures recommended within this document are intended to reflect and work progressively towards achieving the Village Board's stated goals and objectives across these twelve strategic priorities.

D. FUTURE OUTLOOK

The Village of La Grange has consistently worked very hard to lessen the burden of property taxes on Village residents and businesses through conservative fiscal management, economic development, and identifying alternative sources of revenue.

Fiscal Management

The pre-budget development discussions were robust and comprehensive. Budget priorities have been clarified by a majority of the Village Board. Through a combination of savings and growth, Village finances are stabilizing. In keeping with the Village's practice of conservative fiscal management, it is too soon to rely on those savings and that growth at this time, as being able to lead the Village to sustainable financial health. Consequently, the Village's management team and its professional staff will continue to endeavor to optimize existing resources as we continue to administer the Village's cost containment plan. While there is some flexibility with revenue increases and revenue opportunities in the future, annual consideration of the proposed utility tax remains fiscally prudent as well.

Economic Development

Since 1986, the Village of La Grange has made a concerted effort to expand the Village's tax base through economic development. A well diversified tax base creates new growth, generating additional property tax revenue not only for the Village, but also to the benefit of other local taxing bodies such as school districts, the park district and the library. Therefore, it is critically important that we continue to protect and preserve our investments in the Central Business District well into the future. The Village Board recognizes this value which is why economic development remains a high-order strategic priority for the Village.

Despite weak macro-economic conditions on a state and national scale, the Village's economic vitality continues to thrive.

- Sales tax numbers have rebounded over the past year and are strong even in months where historically seasonal dips would have occurred.
- Borders was a top 10 sales tax producer. The opening and success of new businesses since the closure of Borders has offset that loss.
- We have had a number of new businesses open, resulting in an occupancy rate in the Central Business District at 93% towards the end of 2012. With several more leases signed since then, and under permit, we will be at or slightly more than 95% occupancy within the second quarter of 2013.
- This demand for a business presence in La Grange has resulted in an increase in second floor occupancies, namely personal and professional services.
- Another interesting business trend is the sharing of kitchen space in food service facilities. We are facilitating this type of "incubator" business activity.
- The Triangle property which was privately held, was recently sold to a Deutsche Bank Real Estate Investment Trust. If that transaction is any indication, the commercial real estate market in La Grange's Central Business District is also very strong. Concurrent with the commercial real estate transaction, the two story retail space once occupied by Borders, has been divided and new tenants for the first and second floors are under lease, the first of which to open has been Smashburger.
- While the YMCA has advised us that their property at the northeast corner of La Grange Road and Ogden Avenue is not for sale at this time, development interest continues and its potential will be realized at some point in the future.

The success of downtown La Grange has resulted in a new dialogue between the Village and the LGBA to improve parking management in the Central Business District on Friday and Saturday evenings. The Village also continues to work with the LGBA, especially through their committees representing restaurateurs, retailers, service businesses and building owners on strategies to retain and strengthen the Village's economic vitality. The primary emphasis of this government – business collaboration will continue to be marketing, promotional and special events. For example, the "10 Days of Dining" promotion in February 2013 was launched to coincide with National Restaurant Week. One of the participating restaurants – Prasino's – was recently featured in WTTW's "Check Please" program.

At the time of the writing, La Grange is expected to be featured in the March / April issue of West Suburban Living, which is also their annual "Best of the West" edition.

Although a majority of redevelopment in La Grange has occurred within the Central Business District, commercial reinvestment has also taken place throughout the rest of the Village. Of

particular note is the revitalization of the West End Business District. Several established businesses in this district have reinvested because they see the long-term value and growth opportunities in La Grange. A renovation of the Stone Avenue train station to restore building integrity is anticipated to commence in 2013. Master planning, exploration of grant opportunities, and coordination with regional transportation agencies continues for future phases to enhance the station grounds as a public space and to enhance pedestrian mobility and safety within the station area. Investment in the Stone Avenue train station building and grounds is important as business owners have advised the Village that the iconic station is the focal point for creating a sense of identity and way-finding which separates them from other commercial areas within the Village.

Our formula for success over the long term, has been public investment in infrastructure which has spurred private re-investment. As the Village's economic development needs continue to evolve over time and appropriate strategies are identified, the Village Board has prudently assigned up to \$750,000 of TIF surplus distribution funds for such a purpose. However, if used as a source of operational funding, these monies could be exhausted quickly. A dedicated source of revenue to sustain ongoing economic development activities over the long term would be appropriate.

We are able to enjoy and experience steady dining, shopping and theater-going traffic to La Grange because of a combination of factors unique to La Grange: (i) our residents understand the need to support our local businesses; (ii) our local retailers have an entrepreneurial spirit which has sustained them; and (iii) new business owners who have decided to open during these difficult times have placed their confidence in their future success by locating to La Grange.

Grant Funding

The Village also seeks to supplement property tax and sales tax revenues through the acquisition of grant funding. Over the past five years, the Village has secured approximately \$9.4 million in grants to fund over \$18.1 million of capital projects and operational activities and equipment, that either would not have been possible or would have been implemented at the sole expense of La Grange taxpayers. We must continue to aggressively pursue grant opportunities whenever they become available.

In 2009 the Village aggressively pursued State capital bill and Federal stimulus monies, both through competitive and appropriations processes. Through direct communications with our State legislators and Congressman Lipinski, the Village secured over \$2.2 million. We sincerely appreciate their efforts and interest in La Grange. Department Heads continue to explore funding opportunities and eligibility requirements within their respective areas of responsibility for projects, personnel and capital expenditures, consistent with the substance and spirit of our proposed financial plan and the Village Board's strategic priorities.

As the financial condition of our state government has yet to stabilize, we need to remain vigilant and advocate against any legislation which seeks to undermine municipal revenues or shifts the financial responsibility of paying for state programs onto municipalities as an "unfunded mandate".

Quality Of Life

These are difficult times for everyone, and the Village is sensitive to the financial challenges our residents are experiencing. The Village is attempting to contain its operating costs while at the same time preserving the value of our significant investments in human, economic and capital assets - preserving the quality of life and community vitality that we presently enjoy. The sum total of all of these assets is what adds intrinsic value to the "La Grange" brand and is, among other things, what sets us apart from other communities.

As a result of its thoughtful planning and policy discussions, the current Village Board is strategically thinking about the Village's financial health beyond the scope of the current five-year plan. It is this type of visioning which will preserve and enhance the quality of life for La Grange residents now and into the future.

E. SUMMARY & ACKNOWLEDGEMENTS

While our budget serves the basic purpose of providing a detailed record of projected revenues and expenditures, it is also geared towards the comprehensive objective of providing for sound, effective financial planning over the next five years. The detail within each section and the use of graphics will assist the reader's overall understanding of Village-wide programs, priorities, goals, services, needs and future opportunities. This budget demonstrates our continued emphasis on the maintenance and upgrading of public properties and providing outstanding services to the residents of the Village of La Grange.

I would like to thank the Department Heads and their staffs for their cooperation in presenting a controlled spending plan and operational adjustments responsive to the Village Board's strategic priorities. Special thanks to the Finance Department for their superior performance and demonstrated professionalism in producing this important document. I especially would like to recognize the individual work effort, talent and skill of Finance Director Lou Cipparrone. The development of each year's budget seems to be more challenging than the last. Mr. Cipparrone's financial acumen and counsel is invaluable to me and to the Village.

Finally, we would like to acknowledge President Asperger and the Board of Trustees for their leadership, vision and support in planning and conducting the financial affairs of the Village in a responsible, professional and thoughtful manner.

Sincerely,

Robert J. Pilipiszyn
Village Manager