VILLAGE OF PALATINE

VILLAGE HALL - COUNCIL CHAMBERS
200 E. WOOD STREET
PALATINE, IL 60067-5339 – (847) 359-9050
http://www.palatine.il.us

VILLAGE COUNCIL & COMMITTEE OF THE WHOLE

NOVEMBER 7, 2022

Village Hall - Council Chambers **Special Meeting** **7:05 PM**

I. ROLL CALL – Time: 7:13 PM

Attendee Name	Title	Status	Arrived
Jim Schwantz	Mayor	Present	
Tim Millar	District 1 Councilman	Present	
Scott Lamerand	District 2 Councilman	Present	
Doug Myslinski	District 3 Councilman	Present	
Greg Solberg	District 4 Councilman	Present	
Kollin Kozlowski	District 5 Councilman	Present	
Brad Helms	District 6 Councilman	Absent	

Also Present:
Village Clerk Marg Duer, Village Manager Reid Ottesen, Deputy Village Manager Hadley Skeffington-Vos, Village Attorney Nicholas Standiford, Director of Community Development Mike Jacobs, Director of Public Works Matt Barry, Police Chief Dave Daigle, Deputy Police Chief Bill Nord, Fire Chief Patrick Gratzianna, Deputy Fire Chiefs Scott Mackeben and Anthony Lavacchi, IT Director Larry Schroth, Director of Finance Paul Mehring, Assistant Finance Director Sue Conn, and Director of Human Resources Pam Jackson

II. AGENDA ITEM

1. Consider a Discussion of the CY 2023 Proposed Budget & Capital Investment Plan **-**

   Village Manager Reid Ottesen presented the Proposed 2023 Annual Budget and Capital Investment Plan for the Village of Palatine. He expressed pride in this, the 20th Budget prepared during his tenure, acknowledging the consistent fiscally conservative approach to deliver the highest level of core services.

   The Proposed Budget and Capital Investment Plan totals $132,926,134. Operations Budget is $83,572,533 with the Capital Budget, TIF Development, Debt Service, Transfers, Casualty/Liability Insurance Program and Pension Administration of $49,353,601.

   This budget was developed balancing the competing interests of existing resources (revenues) and demand for those resources (expenditures).

Ottesen reported no increase in the property tax levy, but, in fact, a **decrease in the property tax levy of 2%** while maintaining core services and expanding some services. Rising costs in some areas are absorbed through other revenue growth and control of costs.

Ottesen outlined the guidelines for the Budget Policies and Parameters:

- Provide high quality core services,
- Ensure safety of residents and businesses,
- Meet all statutory requirements,
- Maintain infrastructure,
- Weigh advantages of out-sourcing vs. in-house tasks,
- Market driven compensation.

Key points in the 2023 Proposed Budget include:

- Sales tax revenues outperformed expectations,
- Anticipate increased state income tax with close monitoring,
- All receipts from video gaming will be dedicated to the capital budget,
- Elimination of vehicle stickers,
- Maintain a 3-4 month operating reserve in the General Fund,
- Maintain a $1.5 million reserve to offset any potential supply-chain impact on automobile and building material shortage

Ottesen reiterated the Village's commitment to delivering core services in the most cost effective and efficient manner, with 15 fewer full-time employees than a decade ago, due to exemplary employees, streamlined services, expansion of technology, conversion to LED street light system, and a streamlined street improvement plan.

Budget Follow-up: Monday, November 14, 7:00
Public Hearing: Monday, November 21, 7:00
Adoption of Budget and Tax Levy: Monday, December 5, 7:00

Budget Documents are available at
Village Clerk's Office
www.palatine.il.us

The CY 2023 PROPOSED BUDGET & CAPITAL INVESTMENT PLAN Power Point Presentation is attached.

III. ADJOURNMENT – Time: 8:03 PM

Adjourn the Special Meeting of the Village Council **- Motion Carried by Voice Vote**

RESULT:	**MOTION CARRIED BY VOICE VOTE [UNANIMOUS]**
MOVER:	Scott Lamerand, District 2 Councilman
SECONDER:	Kollin Kozlowski, District 5 Councilman
AYES:	Millar, Lamerand, Myslinski, Solberg, Kozlowski
ABSENT:	Helms

SUBMITTED BY:

Margaret R. Duer
Village Clerk

Consider a Discussion of the CY 2023 Proposed Budget & Capital Investment Plan

BACKGROUND:

Staff is pleased to begin public discussion and review of the CY 2023 Proposed Budget and Capital Investment Plan.

KEY ISSUES:

The CY 2023 Proposed Annual Budget and Capital Investment Plan totals $132,926,134. Of this total, $83,572,533 represents the Operations Budget and the remaining $49,353,601 represents our Capital Budget, TIF Districts, Debt Service, Transfers, Casualty/Liability Insurance Program, and Pension Administration requirements. In total, this represents **an increase of 6.29%** over the CY 2022 budget. The Proposed Budget continues to reflect the impact of the economic climate, while offering the core service levels expected by our residents and, most importantly, lives within our financial means.

The Business, Finance and Budget Committee has a follow-up discussion scheduled on November 14, if needed. The required Public Hearing is scheduled for November 21, with the final budget adoption on December 5.

Today's proposed schedule is as follows:

General Overview:
- Revenue

Operating Department Review:
- Expenditure Overview
- Police Department
- Fire Department
- Public Works Department
- All Other Departments

Non-Operating Expense Review:
- Capital Investment Plan
- Other Expenses (Insurance, Pensions, and Transfers)
- Economic Development Program
- Debt Service

Questions and Follow-Up

RECOMMENDATION:

Staff recommends commencement of the public budget review process.

ACTION REQUIRED:

Action is at the discretion of the Village Council.

ATTACHMENTS:

- Budget Message

- Budget Overview
- 2023 Budget Presentation

VILLAGE MANAGER'S OFFICE
200 E. Wood Street · Palatine, IL 60067-5339
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www.palatine.il.us

October, 2022

Honorable Mayor and Village Council:

On behalf of the Village of Palatine, it is my privilege to present the Proposed 2023 Annual Budget and Capital Investment Plan for the Village of Palatine.

This will serve as the 20th Annual Budget that I have presented to the Mayor and Council during my tenure as Village Manager. While we have seen strong financial times and poor financial times over these 20 years, this budget serves to shape the future of the community in many ways. It is the result of a fiscally conservative approach to government while still delivering on all core services at the highest level.

While our budget planning and forecasting the past several years has been like trying to swim out of quicksand, we are gaining confidence that we are moving into a more stable post-pandemic revenue model. Things will continue to evolve, and we will pay close attention to the potential of a recession. Despite the future uncertainty we are very confident in the Proposed Budget. The 2023 Budget continues to build upon our commitment and resiliency. The Budget provides the necessary support for our residents and business community, continues to partner with outside agencies to deliver the most efficient services available, and continues to keep Palatine a safe and desirable community for our current and future residents.

The Proposed Budget demonstrates an ongoing commitment to high standards of public service and the efficient delivery of all programs and services.

The 2023 Proposed Budget and Capital Investment Plan totals $132,926,134. $83,572,533 represents the Operations Budget and the remaining $49,353,601 represents the Capital Budget, TIF Development, Debt Service, Transfers, Casualty/Liability Insurance Program, and Pension Administration requirements.

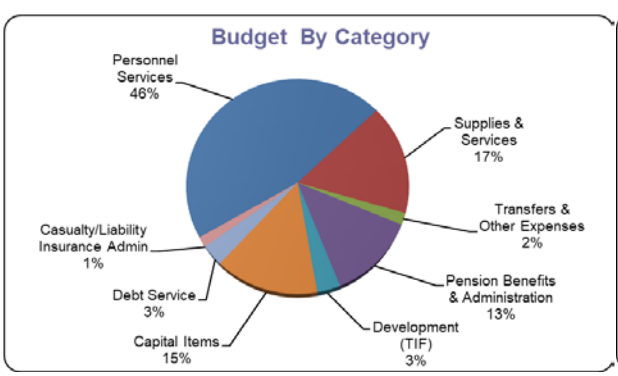
While this represents a 6.29% increase over the 2022 Budget, it contains several unique or preplanned items including:

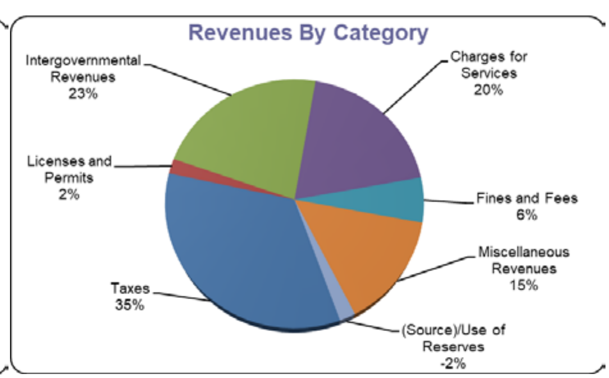
- $115,375 – New Police Officer to return to a two-person traffic unit
- $188,000 – Public Works reorganization and creation of Assistant Director position
- $750,000 – Supplemental pension payment to the Fire and Police Pension Plans
- $200,000 – Road salt price increase due to market conditions
- $167,325 – Motor fuel cost increases due to market conditions
- $1,642,000 – Transfer of funds to Early Debt Retirement Fund

But for these items, the Budget would be increasing by only 3.84% despite inflation running more than double that amount.

The development of a budget is a balance between existing resources (revenues) and demand for those resources (expenditures). Staff has worked hard over the years to achieve a balance between these competing interests. The past several years were extremely challenging in establishing this balance given the uncertainty of the impact of COVID-19 on both our revenues and expenses. While we hope that the challenge is in our past, we now face the ongoing uncertainty of the global supply chain shortage, which is having a direct impact on many of our businesses and, if that were not enough, inflation is at a 40-year high.

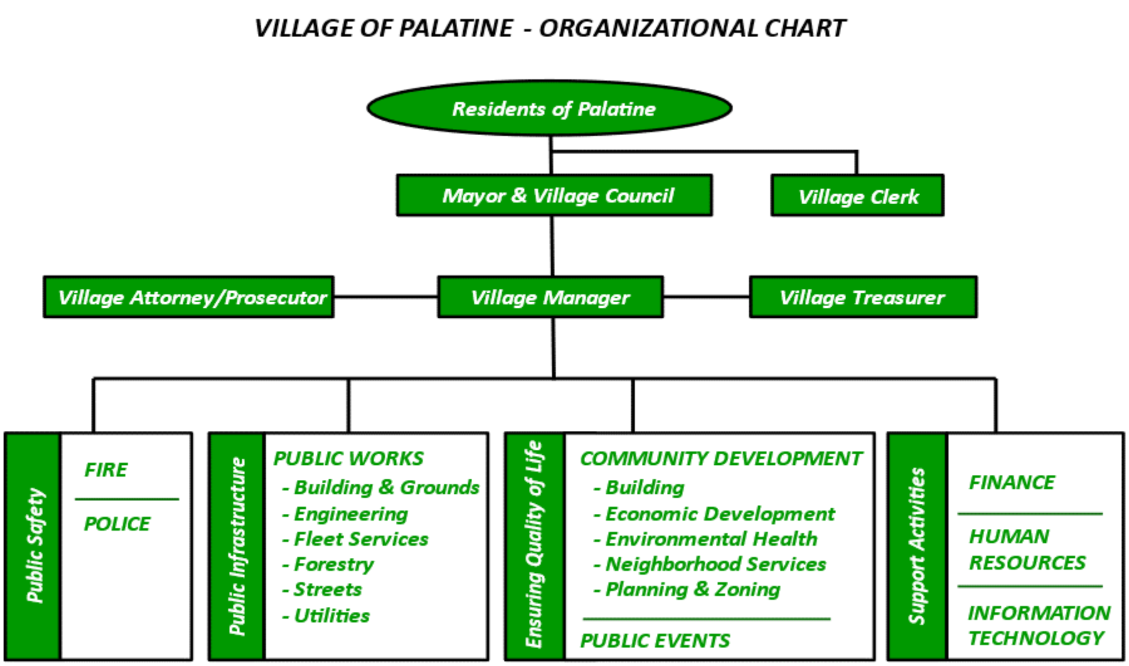
Many of our costs are fixed or cannot be reduced without significant service delivery impact or direct impacts on public safety. We are fortunate to have a diverse set of revenues to stabilize the organization in these unprecedented times.





	2022 Adopted Budget	2023 Proposed Budget	2023 % of Total
Personnel Services	$ 59,269,480	$ 61,469,825	46.2%
Supplies	2,293,395	2,782,010	2.1%
Services & Charges	18,741,474	19,293,198	14.5%
Other Expenses	27,500	27,500	0.0%
Sub-Total Operations	**80,331,849**	**83,572,533**	**62.9%**
Transfers Out	670,000	2,338,000	1.8%
Pension Benefits & Administration	14,994,500	16,867,000	12.7%
Development (TIF)	4,175,000	4,350,000	3.3%
Capital Items	13,497,700	19,448,515	14.6%
Debt Service	9,260,836	4,273,861	3.2%
Casualty/Liability Insurance Administration	2,130,000	2,076,225	1.6%
All Expenditures Total	**$ 125,059,885**	**$ 132,926,134**	**100.00%**

Our organization exists to ensure the public health, safety, and welfare of our customers. We are structured and funded to deliver on this commitment. The following chart reflects the structural organization of the Village workforce.



Budget Policies and Parameters

Over the past decade, the uncertainty created by the fiscal affairs of the State and the rapidly increasing public safety pension costs had made it necessary to focus on simply maintaining our current services rather than looking at any expansion of services. More recently, the global pandemic again forced us to focus on trying to maintain services. Fortunately, the strong recovery over the past year is allowing the organization to cautiously expand in some service areas this coming year.

We continue to live within the existing revenue streams. Any increase in tax rates or other fees was to be a last resort authorized by the Village Council after weighing service and personnel reductions. The Operating budget guidelines we have traditionally used have allowed us to financially perform at a level few have achieved. The guidelines have served us well in both times of growth and contraction. Once again, the Village Manager, along with the Mayor and Council, established these guidelines as part of the budget development process. These guidelines were as follows:

- All budgets would be predicated upon providing our core services.
- Ensure the continued safety of our residents and businesses to receive timely responses to all public safety, public works, and community service needs.
- All non-personnel operating expenditures, including commodities and contractual services, would see their first increase in funding in nearly a decade. The maintenance of effort budget provided to the department directors included an increase of 2% in their contractual services and supplies account. The directors were to allocate this increase to best deliver on their core services.
- Benefit related expenditures would meet all statutory requirements for funding.
- The Capital Investment Plan must continue to address the needs of our residents and a systematic replacement of our aging infrastructure, roads, and facilities.
- Any existing or anticipated personnel vacancy shall be fully reviewed as to necessity and available options to replace work through outsourcing, realignment of responsibility, or transfer between Departments.
- All employees should be treated equitably, and compensation and benefit levels

should be sustainable, and market driven across all job classifications.

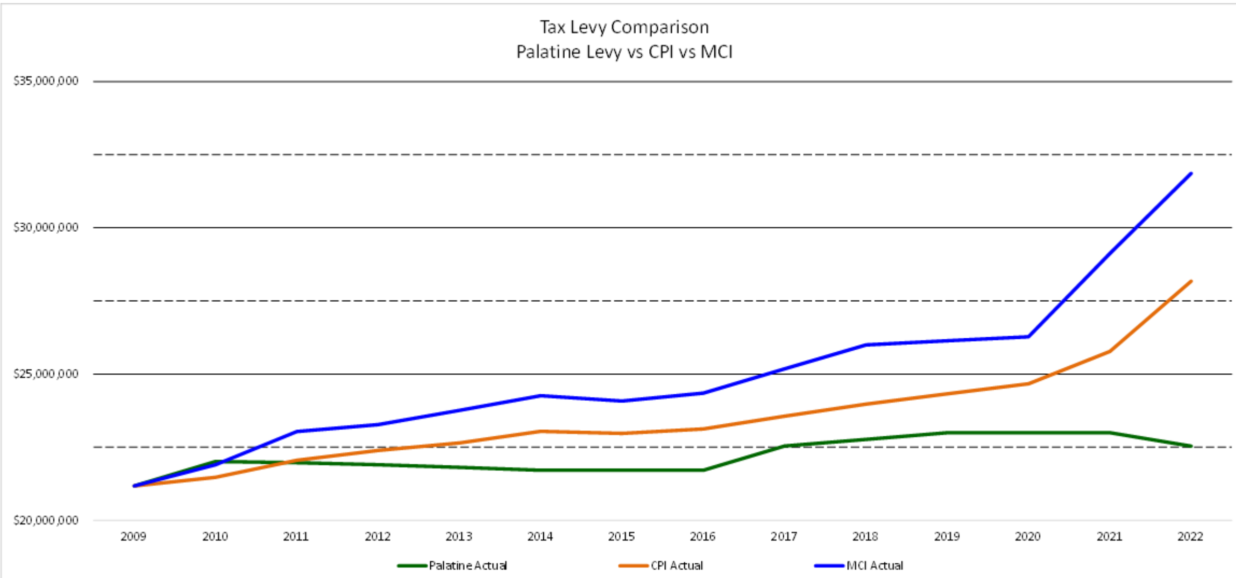
Revenues

While our budget is monitored and reported throughout the year, the annual budget process commences with a detailed review of our existing revenue sources in July. Staff utilizes a model that examines the previous three years of receipts and weighted factors are assigned to the more recent years to develop estimates for the upcoming calendar year. The estimates are then adjusted based upon known factors such as new or closed businesses. This model has proven to be dependable in both prosperous and declining economic conditions. The 2023 budget process, like the last several years, was unlike any ever experienced due to the pandemic, ongoing global supply chain crisis, global unrest, and now the economy being on the verge of a recession. The historical model was still used with several adjustments based upon our experience and expectations. Additionally, it is important to note that our 2022 Budget estimates were based upon conservative assumptions given the state of the pandemic at the time the budget was adopted. The past year performed better than expected; thus, the significant increase in many 2023 estimates.

Some of the revenue sources and/or sources experiencing significant changes are:

- **Property Tax –** 2023 continues our commitment to maintaining a stable property tax rate. In 2018, the Village Council approved a policy to raise property taxes by 1% per year to help fund the unfunded liability of the police and fire pension plans. This was to be in place through 2028 and then revisited. Based upon our strong financial controls and fiduciary responsibility, I am pleased to report that the Proposed Budget includes no increase in our property tax levy. In fact, the Budget reflects a **decrease** in our property tax levy of 2% while still providing all our core services, including some expanded services. Over the past decade, our property tax levy has grown by 3.3%. The increased pension costs and other rising expenses continue to be absorbed through other revenue growth and our ongoing control of costs.

When you compare our property tax levy to the Consumer Price Index as depicted in the following chart, it is very clear that we do everything in our power to minimize property tax impacts on our residents.



- **Sales Tax –** Our sales tax receipts significantly outperformed budget expectations in the CY2021 Budget. This in turn led to the CY2022 Budget again reflecting a conservative estimate as we wanted to track year-end spending. Now with good experience to work from, the CY2023 estimate is in line with what our model would suggest based upon current receipts. This leads to a sales tax receipt estimate for 2023 of $18 million. Our economic growth has been very strong which, coupled with the reporting of online sales has really started to move sales tax up as a major revenue source, with only property taxes being a larger revenue source. In 2023, sales tax revenues will account for over 20% of our operating budget revenues.

- **State Income Tax –** Following a significant reduction two years ago, this revenue source continues to be very strong moving forward. Based upon information and forecasts provided by the State, as well as the Illinois Municipal League, we anticipate an increase of $2,270,000. With the recession fears in our sight, this revenue, along with our sales tax receipts will be very closely monitored throughout the year.

- **Food and Beverage Tax Receipts –** We are experiencing a recovery in this category as the pandemic's impacts have declined. Revenues for this source are anticipated to increase from $1,200,000 to $1,500,000 based upon our forecast model.

- **Building Permit/Inspection/Review Fees –** Building permit activity remains very consistent with past expectations. While one large project can significantly alter the revenues, the building permit related revenues are anticipated to slightly increase from $1,729,000 to $1,775,000.

- **Liquor License Fees –** With the introduction of video gaming and the associated license, the liquor license receipts are anticipated to increase by $85,000 or 26%. This is after factoring in a reduction in fees due to decreased hours. All receipts from the actual video gaming activity will be dedicated to the capital budget.

- **Ambulance Fees –** Last year the Village entered into an agreement that will allow for increased payments for Medicaid transports. This has resulted in our revenues increasing by over $1 million with an offsetting expense of approximately $500,000. Based upon almost a full year's experience, the 2023 Budget is projecting ambulance receipts to total $3,178,000, an increase of $387,700.

- **Court Fines/Fees –** With courts finally reopened post-pandemic and the Village having a generally fully staffed police department, we are experiencing a recovery in the fines through circuit court to pre-pandemic levels. We expect 2023 to generate $375,000 in court fines.

- **Vehicle Stickers –** It is worth noting that the 2023 Budget will mark the first budget without revenues from the sale of vehicle stickers. This revenue source was projected at $1.3 million as recently as last year and with the elimination of the program, we will rely on our other strong revenues to continue to fund our ongoing operations.

Many of our other revenues continue to remain relatively constant or experience a short-term increase or decrease.

Our Code of Ordinances provides for all other Village fees to increase in an amount equal to the Municipal Cost Index (MCI). This cost index is a representation of the costs for goods and services incurred by municipal government. For 2023, this would represent a 9.40% increase reflecting significant cost pressures for the goods and services used by local government. We realize that this increase would be very difficult for many of our residents and businesses. As such, we continue to try and avoid increases wherever possible and have reduced this increase to 3%. This will still help offset some of our cost increases yet provide relief to our customers.

Reserves

A multi-year view is necessary when considering the existence of reserves and the year-to-year surpluses or deficits that create or deplete them. Particularly in capital funds, a surplus or deficit is merely a timing difference between receiving revenues and paying expenditures. In these funds we try to maintain level funding each year knowing that the expenses will vary from year to year. Thus, establishing a surplus for several years or spending down reserves is completely appropriate and, in fact, planned.

As recognized by the bond rating agencies, sound and conservative financial management over the years has positioned Palatine to withstand economic downturns and maintain financial strength. The past three years have put us to the test unlike anything that could have ever been anticipated or planned. Fortunately, our strong reserves let us emerge from the pandemic stronger than ever.

We were able to withstand the pandemic years through a combination of expenditure reductions, the planned use of 2019 surplus dollars, and utilization of our Economic Stabilization Fund. All told, the Village reduced the 2020 budget by $5.2 million. After these planned actions, the Village still retained strong unrestricted fund balance levels. Fortunately, the budget reductions, coupled with Federal dollars, were enough to still protect our fund balance and Economic Stabilization Fund.

The Budget anticipates 2022 will mark the 19th consecutive year that the General Fund will end within or above our targeted reserve range of three to four months operating costs. We should finish 2023 in that same position as well. This meaningful accomplishment demonstrates the commitment of the Council and Village leadership to fiscal constraint. These reserve levels have had a significant impact on the Village maintaining our outstanding bond rating over the past several years. Our conservative approach to finance, and the strong fund balance coupled with untapped revenue resources, continues to place us in high stature with the rating agencies. This subsequently saves the Village money when we need to utilize the bond market.

The targeted operating reserves set by the Reserve Policy are at levels considered prudent to provide for uninterrupted municipal services and preferred bond ratings. These reserves serve as a stabilizer during reduced revenue collections, which in turn allows for a consistent delivery of our most important services.

The General Fund operating reserves are approximately $21.7 million, which falls at the upper end of the three-to four-month policy range. This does not include the Economic Stabilization Reserve which has been maintained at a high level due to the potential impacts of COVID-19 over the past several years and now, the pending economic recession. As such, our Economic Stabilization Fund has a balance of $2.5 million which is available at the discretion of the Council.

There remains $1.5 million in fund balance beyond that discussed above. For 2023, I am recommending that we maintain our $1.5 million to offset any potential lost revenues from our automobile dealerships due to supply chain issues or even potential supply chain impacts that could impact building materials (i.e., Home Depot sales). I believe the reservation of these fund balance dollars is a prudent approach to budgeting rather than artificially decreasing sales tax dollars and increasing expenditures based upon speculation. We will revisit these dollars as part of the 2023 Mid-Year Financial Review.

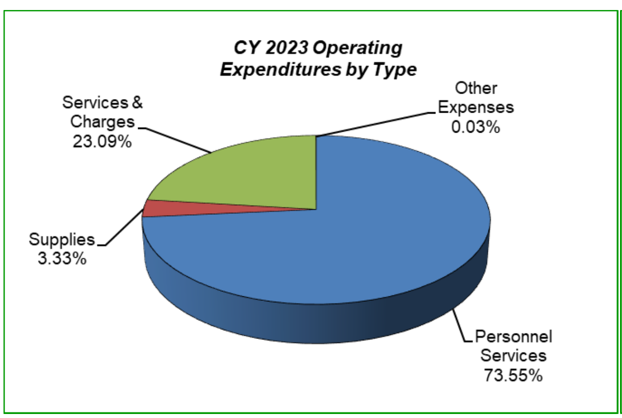
In the case of capital-related reserves, these funds are considered sinking funds. It would not be fiscally prudent or responsible to fund current capital expenditures with current dollars nor to issue bonds for all capital purchases. In this case, these reserves can be likened to a savings account to pre-fund expected purchases. Additionally, these funds can be used to fund one-time emergency purchases. These fund balance levels will fluctuate from year to year based upon our capital project needs. All are within or more than our fund balance targets.

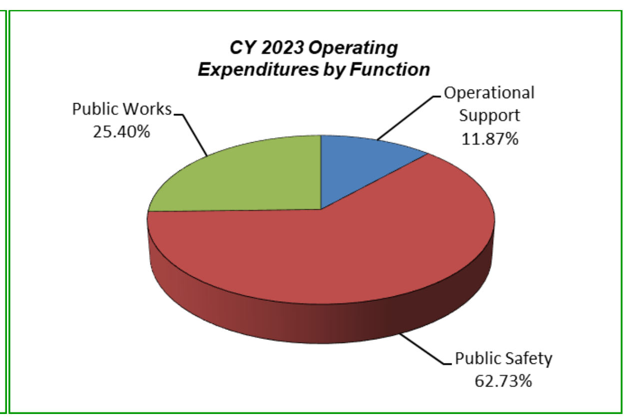
Annual Operating Budget

The entire Village organization is committed to delivering on our core services in the most cost effective and efficient manner. The pandemic posed plenty of challenges in providing and paying for these services and now we navigate the potential onset of a recession. Despite the challenges, the proposed budget demonstrates a real commitment to efficiency and living within our means.

Our operating expenditures are summarized as follows:

Expenditures by Category	Adopted 2022	Proposed 2023	% Change
Personnel	$59,269,480	$61,469,825	3.71%
Supplies	2,293,395	2,782,010	21.31%
Services & Charges/Other	18,768,974	19,320,698	2.94%
Total Operations	**$80,331,849**	**$83,572,533**	**4.03%**





Municipal government is a service business, and the services continue to grow and demand increases. Our job is to protect the public safety, maintain the infrastructure, and ensure a high quality of life. To accomplish these tasks, it takes a committed work force. Just over 90% of our employees work directly in our field services (Police, Fire, Public Works, and Community Development).

Personnel costs represent 73% of our operating expenses. As such, it is paramount that we focus on always controlling our personnel costs and balancing any increase or decrease in positions with the needs of the residents. Following the economic collapse over a decade ago, there has been a continuous focus on how we conduct business and the application of technology along with cross-training in the workplace. This has allowed services to remain constant and the organization to reduce our personnel counts. As benefit costs continue to rise through outside influences, the head count reduction has allowed the Village to live within our means and limit tax adjustments. However, not all services can be done through public/private partnerships. This coming year, the Budget includes the addition of a new police officer and public works personnel.

The 2023 Budget reflects an increase in our workforce, yet it is still 15 positions below a decade ago.

PERSONNEL CHANGES OVER PAST 15 YEARS

Date	Full-Time Employees	PT/Seasonal Employees
January 1, 2008	367	53
January 1, 2012	343	53
January 1, 2014	339	59
January 1, 2016	338	59
January 1, 2018	331	64
January 1, 2020	333	63
January 1, 2022	326	54
January 1, 2023	328	55

Our staffing level remains below our staffing levels in 1999, nearly 25 years ago, a time with a much smaller population and geographic area to serve. This would not be possible if not for the exemplary employees we have at the Village.

Departmental Budgets and New Initiatives

Last year marked a turning point in our operating budget as we embarked on several new initiatives and programs following nearly a decade of just trying to hold our own against the forces of the State of Illinois and Cook County. With all the imposition of mandates as well as reduced funding levels from the State, the budget process felt like we were trying to swim our way out of quicksand. Just keeping our head above water was surviving.

Fortunately, the State has generally left us alone as we move into the 2023 Budget. They have mandated lead service line replacements as well as many mandates in the SAFE T Act including body cameras for police. Fortunately, we are taking advantage of Federal dollars to offset these costs. With those offsetting revenues, we again are moving the organization and community forward with the 2023 Budget.

Some of the more notable initiatives and changes for CY 2023 include:

- ***Personnel Changes –*** The Budget includes the addition of one new police officer which will allow the Village to return to two officers in the traffic unit. It has been over a decade since we had this luxury. The traffic unit is a critical tool to maintaining safe and healthy neighborhoods through their pro-active enforcement as well as having the depth to cover regular beat patrols if we are short on personnel.

  Additionally, within the Police Department there are funds to reclassify one patrol officer to the rank of Sergeant. This additional supervisor will allow the midnight shift to have four supervisors as days and evenings presently have. This becomes critical if there is a major incident. Additionally, it will allow one Sergeant to take on the responsibilities of serving as a liaison to, and enforcement of liquor, gaming and recreational cannabis businesses in town.

  The Public Works Department is the other beneficiary of a newly created position. Through a reorganization in this department, we will operate with two Assistant

Directors much like Police and Fire. One will have more of an administrative focus and the other a field focus. This change required the creation of one new position.

Wages are scheduled to adjust based upon contractual obligations and market conditions. The Village is in collective bargaining with the Police Union and no wage increase has been reached at this time. Our other represented employees will receive increases pursuant to contracts and discussions with the union. Our non-represented employees will have their ranges adjusted based upon market conditions and the funds appropriated in the budget. Management employees are all subject to performance-based increases. The Village Manager will make any necessary equity adjustments and reclassifications within the budgeted funds. This coming year our support staff positions have been reviewed for these equity-based adjustments.

Change is a continuous process for our organization. While we have adjusted our organizational structure to deliver the highest level of services in the most efficient manner, we continue to be one of the leanest and most efficient municipalities anywhere in suburban Chicago. Staffing levels remain as low as possible while still being able to deliver on our core services.

- **Expansion of Technology –** The Village will begin the implementation of a recently completed Strategic Information Technology Plan. This will include funding for system penetration testing as well as a focus on the final implementation of our ERP software for permits and licenses. Our technology platform is also expanding as we move forward with the body worn cameras for police as well as a full replacement of their in-car cameras and Tasers. This requires an increase in bandwidth at the Police Headquarters which comes at a cost of approximately $20,000 per year.

- **Other Initiatives/Factors –** There are several other initiatives that cross over between the capital budget and the operating budget.

  Through an appropriation made in 2022, we will embark on converting our street light system to a LED system. This comes at an opportune time as our cost of electricity for streetlights is scheduled to increase by nearly $15,000.

  Additionally, the operating budget includes an additional $200,000 for road salt and $167,500 for motor fuels. These are unavoidable costs based upon the market conditions. In fact, the Village is decreasing the size of its fleet, yet costs still are rising.

While not a specific new expense, we will be reimagining the role of our police social workers to address ongoing issues in the community and the increased call volume for mental health and domestic related calls.

Our employee wellness program will continue to be enhanced taking advantage of the new exercise equipment and new incentive programs for employees that participate in our wellness screenings and activities.

Finally, there will be an ongoing commitment towards communicating with our residents through use of social media and electronic media. We will utilize a variety of methods to encourage enrollment for our electronic newsletters. Additionally, we will work to automate as much of the customer interaction as possible with the ability to submit more permits and licenses in an online platform.

Pensions

Our pension contribution obligations are one of the largest drivers in the development of our budget and unfortunately, not something that we can directly control. By State statute, the Village is mandated to fund pension benefits for all municipal employees. The Illinois General Assembly determines the benefits afforded to our employees as well as the employee contributions. Three years ago, the State moved forward with a plan to consolidate the police and fire pensions throughout the State. In the long-term (10+ years), this should drive smaller increases in funding requirements due to economies of scale. While the fire pension consolidation has been completed for nearly a year, the police pension consolidation was held up through legal challenges in the courts. It was just within the past several months that the consolidation of police pension funds commenced. It will now take several years to begin seeing the operation efficiencies of consolidation and hopefully stronger returns matching those of the Illinois Municipal Retirement Fund (IMRF).

The 2023 Budget includes $12,880,595 to meet the statutorily required contributions we face for our three state pension systems. This represents an increase of $434,050 over last year. Of this amount, the Fire contribution is increasing by $235,000 and the Police is increasing by $335,000 and the IMRF is decreasing by $135,950.

The Village will also be making supplemental payments to the Police and Fire pension funds totaling $958,000. The $958,000 payment will become an annual supplemental payment through 2026.

Insurance

The Budget continues to fund the Village's self-insurance program for our liability insurance. We continue to see strong performance in our liability program with actual claims coming in under expected claims, putting us in a secure position for any unforeseen large claims. Unfortunately, the natural disasters throughout the country (hurricanes, flooding, wildfires), civil unrest, and a generally negative view by insurance companies of the courts (particularly Cook County) have led to an ongoing tightening of the property and liability insurance markets. However, due to our strong performance and good claims history, we are anticipating a slight decrease of 2.5% in this insurance program.

In 2020, the Village joined the Intergovernmental Personnel Benefits Cooperative (IPBC) for our health insurance coverage. Our review of performance in IPBC compared to the general market trends indicate we continue to save money with this change. To date, we estimate our savings to be approximately $1 million. For the coming year, the Village contribution to health insurance coverages will increase by 5.8% which is slightly under the national medical inflation trend of 6%. The Public Works union employees remain in a separate plan through the Operating Engineers Union, and we anticipate those costs will be increasing. Our past collective bargaining agreement requires the employees to cover any cost increases that exceed that of other employees and thus, any costs will be offset by employee contributions.

Annual Capital Investment Plan

The 2023 Capital Investment Plan is an aggressive plan that will continue to move forward with a proactive approach to maintaining and investing in our roads, underground utilities, facilities, and the community. The Capital Investment Plan for 2023 totals $19,448,515. This represents an increase of $5,950,815 or 44%. Of that increase, $3.5 million is for storm water improvements at Smith and Colfax.

Our capital program operates as a sinking fund where it is planned that some years the expenditures will exceed revenues and other years the revenues exceed the expenditures. This is the nature of capital investments. Thus, you can't just look at fund balance levels and defer the need for permanent funding sources. Fortunately, the sinking fund process, coupled with other stable revenue sources, has allowed us to not only maintain our annual capital investment, but establish adequate reserves to address unforeseen situations or emergency repairs and replacements.

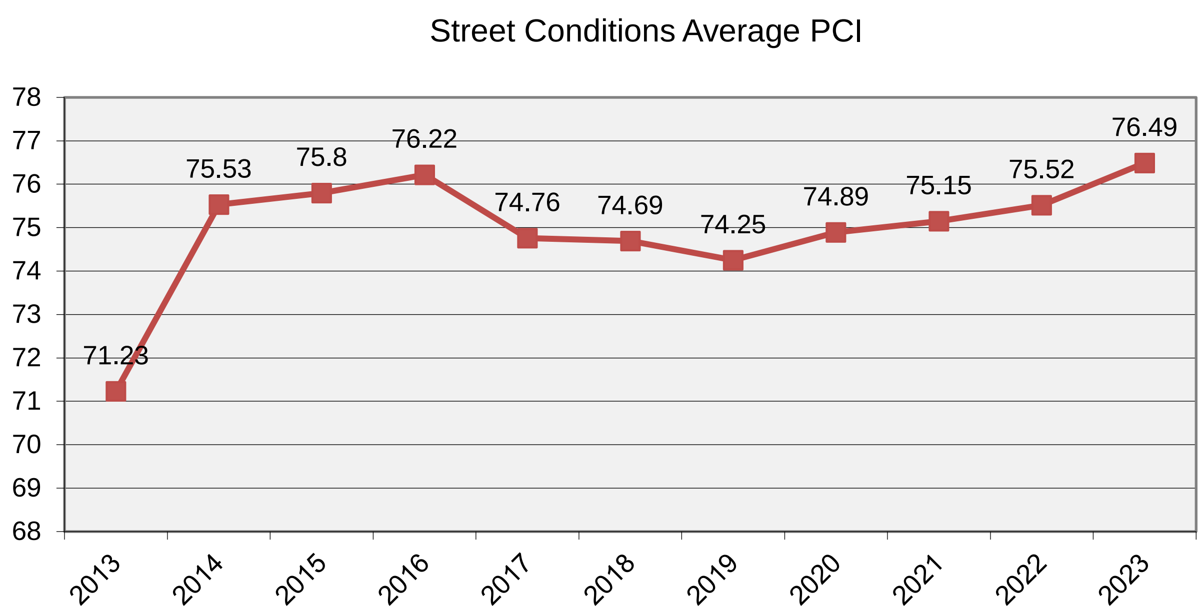
Further helping the health of our capital reserves is our commitment to identify grant monies for capital projects. In the past several years, we have been successful with the award of more than $8 million in funding for the complete resurfacing and other associated improvements for Rohlwing Road, Palatine Road, and various creek projects. Additionally, the Village was the recipient of approximately $12 million in ARPA funds from the Federal government. These dollars have gone to capital and public safety projects that otherwise would have been competing with other existing funds. These grant dollars free up money to be utilized for other local roads and infrastructure investments. Staff continues to look for grant opportunities for all capital projects.

The following sections highlight the Capital Investment Plan for 2023.

Street Maintenance Programs

The Village has the responsibility for maintaining 436 lane miles of streets throughout the community. On an annual basis, half the streets are physically evaluated/inspected and assigned a numeric rating (1 to 100) utilizing a computer model. When streets fall below 60, they generally begin to enter the five-year capital plan for resurfacing. Historic and present funding levels for street maintenance have been designed to provide a street system throughout the Village that carries an average rating in the lower "very good" range (70-75 PCI). The projected PCI value for 2023 is 76.49 which represents the highest rating in over a decade. This is a result of the 10 Year Street Improvement Plan approved by the Village Council in 2020.

The following graph illustrates the current average Pavement Condition Index (PCI) for the Village.



Four years ago, the Village Council established goals for our street maintenance program which are:

- Eliminate all resurfacing backlog (streets below a 50 PCI)
- Establish a system-wide average PCI of 75-80
- Increase resurfacing to over 6 miles and expand reconstruction
- Resurface main/collector roads at or before PCI of 60 (was 50) and residential roads at or before PCI of 55 (was 50)
- Complete concrete edging and integral curb program in 10 years or less
- Expand in-house programs to include resurfacing of concrete edging streets and add a third round of milling and paving

We have been successful in achieving many of these goals and within the Five5 Year Capital Investment Plan will accomplish the remaining goals.

The annual resurfacing program for 2023 includes funds for the following streets to be resurfaced:

2023 PROPOSED STREET RESURFACING PROGRAM

Street	From	To
Anderson Drive	Williams	Wilke
Arlene Avenue	Joyce	Patricia
Aspen Court	Dundee	Cul-de-Sac
Avonsdale Drive	Wellington	Smith
Bothwell Street	Palatine	Helen
Charter Hall Drive	Northwest Hwy	Deer Run
Clyde Court	Kenilworth	Cul-de-Sac S
Coolidge Avenue	Dead End North	Myrtle
Crabtree Drive	Dundee	North
Diane Drive	418 E Diane	Cul-de-Sac
West Elm Street	Cove	Coolidge
Evergreen Court	Quentin	Cul-de-Sac
Fern Court	Plum Grove Rd N	Plum Grove Rd S
Garden Avenue	Smith	N. Oak
Greenleaf Court	Illinois	Cul-de-Sac
Hampton Place	Kenilworth Ave W	Kenilworth Ave E
Harrison Street	Glencoe	Cul-de-Sac
Helen Road	Cedar	Plum Grove
Home Avenue	Hicks	Larkspur
Hunting Court	Hunting Dr	Cul-de-Sac
Jack Pine Court	North	Cul-de-Sac S
Kensington Court	Whytecliff	Cul-de-Sac S
Kitson Drive	Williams	Williams
Kraml Court	Glencoe	Cul-de-Sac
Maple Street	Slade	Palatine
Meryls Court	Rosiland	Cul-de-Sac
Meryls Terrace	Rosiland	Ruhl
Nichols Road	Old Hicks	N Baldwin
North Street	Crabtree	Palos
Old Mill Drive	Pepper Tree	Cunningham
Rose Street	Palatine	Johnson
Smith Street	Dead End N	Bryant
Stuart Lane	Dorset	Gilbert
Three Willow Court	Illinois	Cul-de-Sac
Wellington Court	Wellington Dr	Cul-de-Sac N
Wellington Drive	Avondale	Smith
Westmoreland Drive	Old Hicks	Nichols
Winterhaven Court	Dorset	Cul-de-Sac S

2023 PROPOSED ADDITIONAL STREETS

Street	From	To
Alva Street	Maple	Quentin
Bon Aire Drive	Pompano	Bel Aire
Brentwood Drive	Westwood	Dee
North Cambridge Drive	Cornell	St. Johns
Creekside Drive	Twin Lakes	Northwest Hwy
Elmwood Avenue	Eisenhower	Lincoln
Franklin Avenue	Northwest Hwy	Alva
Greenwood Drive	Tahoe	Stark
Lenwood Drive	Lake-Cook	Brentwood
Meadow Lake Drive	Cunningham	Williams
Monterey Road	Topanga	Stark
Mozart Street	Robertson	Colfax
Oak Street	Robertson	Colfax
Pompano Lane	Stark	Rohlwing
Robertson Street	Oak	Schubert
Rosalie Lane	Westwood	Lenwood
Sayles Drive	Rohlwing	Clark
Schubert Street	Robertson	Wood
Twin Lakes Drive	Creekside	Twin Lakes Entr
Westwood Lane	Rosalie	Dead End S
Wilson Street	Middleton	Wilson

2023 will also reflect a significant increase in our in-house resurfacing program. Over the past five years, we have developed the ability to perform curb-to-curb resurfacing utilizing in-house crews and some limited rental equipment. This is allowing us to push further towards the goals set by the Village Council. The 2023 Budget provides over $3.2 million for our resurfacing program.

Resurfacing is just one activity in a much larger effort of maintaining our road network. In addition to resurfacing, our comprehensive road maintenance program will again include the following activities:

- ***Crack-filling**:* Performed within the first three or four years after a street is constructed or resurfaced. This work is performed by an outside contractor.

- ***Milling & Patching:*** This activity removes the surface course of asphalt, undertakes any base repair, and then places a new layer of asphalt. In some instances, patching of streets precedes resurfacing by two or three years and in other cases, it will address isolated problems. To better manage the growing number of streets in the lower end of acceptable limits (PCI of 50-69), an expansion of this program has occurred over the past decade with the funding increasing from $70,000 in 2021 to a record $350,000 in 2023.

- ***Curb and Gutter**:* There are multiple programs designed to extend, repair, and upgrade curb and gutters throughout the Village. These programs include spot curb repair, 50/50 curb replacement, concrete edging, as well as repairs to curbing under the street resurfacing program.

- ***Street Rehabilitation/Reconstruction Program**:* This effort will vary from year to year and started in 2010. The program has evolved to include rehabilitating pavement, improving drainage, and installing concrete curb on roadways serving the primary entry point into a neighborhood. The program recently expanded through the State of Illinois REBUILD Illinois grant program and funds have been used to reconstruct Elm Street. We are targeting a federal grant to rehabilitate Illinois Avenue in the coming years.

- ***Partial or Total Street Reconstruction:*** This activity occurs whenever the condition of the street has fallen to a PCI range of 30 or below or where other maintenance activities are no longer cost effective. This program typically includes upgrades to drainage and curbs systems as part of the construction. Last year's project was South Cedar Street with Crescent Avenue and Ellis Street proposed for 2023.

Capital Equipment and Improvements

Separate from our road system, the Village maintains a long-range plan for the systematic maintenance, replacement, and new investment in our equipment and other improvements throughout the Village. While these investments are all discussed in detail in the budget document, some highlights and higher cost items include:

- ***Replacement of Equipment/Vehicles and Facility Upgrades* –** The Budget continues with implementation of the Vehicle Equipment and Optimization Plan. In fact, a detailed evaluation was completed related to our non-emergency passenger fleet, and we have successfully reduced our fleet by two vehicles with the reductions coming from Community Development.

  The 2023 Budget includes funds for the following equipment and vehicle replacements as well as other facility projects:

  - Police and Village Hall for facility maintenance and upgrades
  - Parking Deck joint repairs
  - Train Station and Railwalk railing replacement
  - Parking lot rehabilitation work in the downtown
  - Fire station maintenance as well as repair or demolition of fire training tower
  - Sidewalk replacement and extensions
  - Phone replacements
  - Planned computer replacements
  - Fiber upgrades to our utility systems
  - Fire Department Command vehicle replacement
  - Truck mounted sewer jetter truck

  Absent from the list are vehicles totaling $1,358,000. These were part of the planned CY2023 Budget but authorized through an advance purchase in an effort to minimize cost increases as well as deal with long lead times. The following vehicles were purchased in CY2022 as part of this action:

  - Ambulance
  - 2 light duty pick-up trucks
  - 2 medium duty pick-up trucks
  - 2 heavy duty pick-up trucks
  - 3 one-ton trucks
  - 2 dump trucks
  - 7 hybrid patrol squads
  - 2 regular police vehicles

All replaced equipment will either move to reserve status or be sold at public auction.

Water and Sewer Funds

The 2023 Capital Investment Plan continues to invest in storm water management, sanitary sewers, and our water system. $11,795,600 in improvements are proposed for the water and sewer systems with $3.5 million of this coming from TIF funds for the downtown area. Highlights of these improvements include:

- ***Smith and Colfax Improvements ($3.5 million) –*** We hope to move forward in 2023 with the start of the storm water management improvements at this location. The project is estimated to be as much as $7 million.

- ***Storm and Sanitary Sewer Sliplining Program ($260,000) –*** This is a proactive program to help seal our sewer systems.

- ***Ditch Analysis and Rehabilitation ($200,000) –*** This will be targeted for Winnetka west of Deer.

- ***Storm Sewer and Draintile Replacement/Extension ($100,000) –*** The project focus for this program is fine-tuned each year. The identified locations are in the detailed budget sheets.

- ***Water Main Replacement/Extensions/Looping ($3,727,500) –*** This infrastructure improvement continues to increase as the Village aggressively moves forward with more water main replacements and eliminating dead ends in the system to improve system performance and redundancy.

- ***Water System Elevated Storage ($500,000) –*** Funds are included to undertake the engineering and design for new elevated storage in the area near Euclid and Roselle. This will improve pressure within the southwest portion of the Village and build upon the interconnect that will be completed with Hoffman Estates

- ***Water Tank Maintenance Contract ($743,100)*** – We have completed our first round of contractual maintenance of our elevated water storage system. The program has been very successful and the dollars in the 2023 Budget are to begin a refresh cycle.

- ***Fire Hydrant Painting ($20,000) –*** A noticeable maintenance enhancement that is proposed to continue is the sandblasting and painting of our fire hydrants. This would be a contracted effort with favorable pricing to be secured through the Municipal Purchasing Initiative (MPI). Many of our hydrants need more than just an overcoat of paint due to the years of wear that has accumulated.

The storm water management program will commence through our new ten-year program approved by the Village Council. The current $10 bi-monthly flood control surcharge will be retired and replaced with a $7.50 bi-monthly storm water management fee. This is a 25% savings for our residents.

We continue to see very static and even decreasing water usage while the costs to maintain the system is rapidly increasing due to supply shortages. In order to maintain a safe and reliable system, the water rate will increase by $0.25 per 1,000 gallons used. This takes our rate to $5.30 per 1,000 gallons. Even with this rate, we remain one of the lowest cost water supplies anywhere in the Chicago metropolitan area.

TIF Districts

The Village continues to promote development within our various TIF Districts to further expand our sales tax revenues and increase shopping, dining, and convenience options for our residents.

The Downtown TIF District was due to expire on December 31, 2022. With the support of the local taxing agencies, the Village successfully received an extension of the TIF District through the Illinois General Assembly this past April. With the extension as well as the commitments made to our local partners, the Village will capture two additional years of increment which, coupled with the fund balance at the end of 2022 will allow us to complete all infrastructure improvements that were identified for the District. This will result in over $20 million of investment.

The Rand and Lake Cook TIF Districts are strengthening with recent projects such as the construction of the new Mazda and Subaru dealerships and the imminent opening of the new Volkswagen dealership. Additionally, the owner of Park Place Center successfully leased a significant portion of the property to U-Haul Storage and is now in the process of finalizing an agreement with a new grocer that will serve as an anchor tenant. It is anticipated that nearly $20 million will be invested into the center in the coming years. Additionally, smaller outlot developments along the Dundee Road corridor are strengthening our sales tax dollars and stabilizing our property tax base.

Refuse Fund

The global pandemic has impacted nearly all aspects of our operations including our Refuse Fund. There has been a significant increase in the volume of both garbage and recycling over the past 2 ½ years as more people worked from home in our community. As such, our disposal costs have increased significantly leading to the need to increase our refuse rates by $1 per month. This will not only cover the increased disposal costs, but the Village has been assessed the second straight “true-up” payment by our solid waste agency due to the volume of waste exceeding the anticipated weight for the previous year.

Debt Service

The Village maintains an AA+ bond rating from Standard & Poor's and a Aa2 rating from Moody's. These strong ratings help drive lower interest rates for any borrowing done by the Village, although there is no intention to go to the bond market in the coming year. In fact, based upon action taken by the Village Council in August 2022, the Village is on its way to becoming debt free on December 1, 2029. As previously referenced, the 2023 Budget will provide $1,642,000 into a debt service reserve account which will be used in 2029 to retire all outstanding debt when it becomes callable.

As for current debt service, the budget includes an appropriation of $4,258,861 for the annual principal and interest on the Village's outstanding general obligation debt. Only a small portion of this payment comes through the property tax levy. There are two other sources of this debt payment listed in the chart below.

Other Sources of Debt 2023

Source of Payment	Principal & Interest	Percent of Debt
TIF Revenues	$1,593,180	37.41%
Water & Sewer Revenues	900,100	21.13%
Total	**$2,493,280**	**58.54%**

These other sources reduce the property tax burden on our stakeholders by a total of $2,493,280. More than 58% of our 2023 debt will be paid through sources other than Village-wide property taxes.

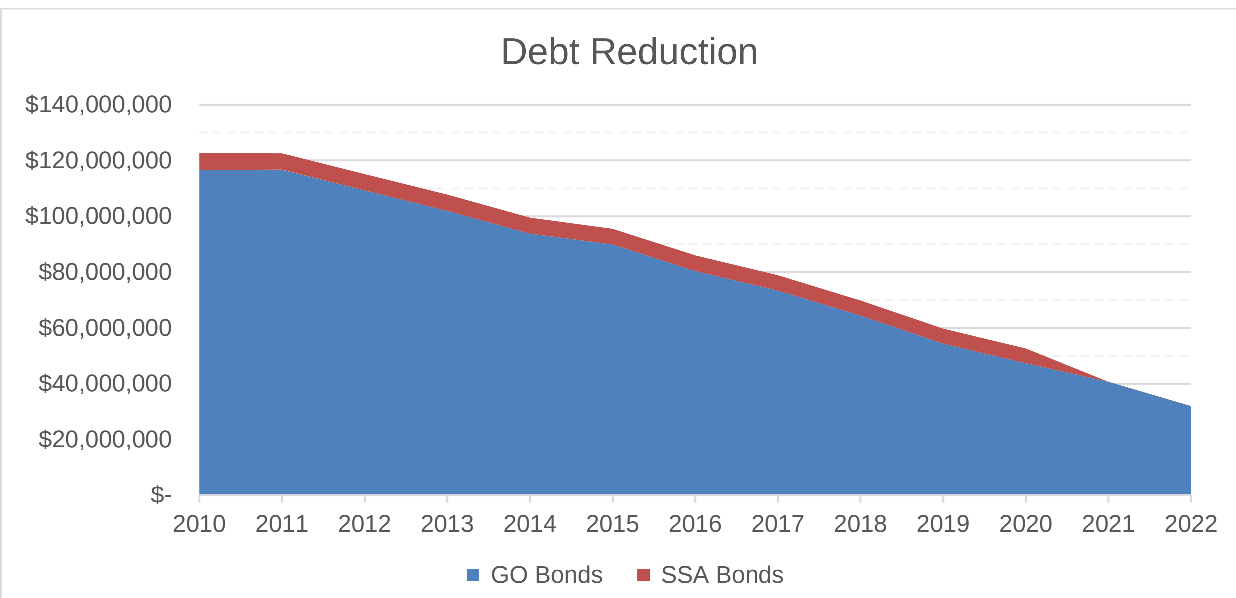
Understanding our total outstanding debt is also important as we assess the long-term financial stability of the Village. At the end of 2022, the Village will have $31,910,000 in outstanding principal on our bonds. Several sources outside of the property tax are responsible for guaranteeing these bonds. The following table represents the breakdown of all outstanding debt.

Total Outstanding Debt

(Principal Balance as of December 31, 2022)

Source of Payment	Outstanding Principal	Percent of Total Debt
Property Tax	$24,280,000	76.09%
TIF Districts	5,155,000	16.15%
Water & Sewer Fees	2,475,000	7.76%
Total	**$31,910,000**	**100.00%**

Over the past 13 years, the Village has made great strides in reducing its debt burden. The chart below illustrates the outstanding debt as of December 31 of each year. Calendar year 2010 ended with $122,657,469 of outstanding debt and we are projecting an outstanding balance of $31,910,000 at the end of calendar year 2022. This represents a reduction of approximately $90 million.



The Future

As mentioned in the beginning of this message, the CY2023 Annual Budget and Capital Investment Plan marks the 20th budget submission I have made to the Mayor and Village Council. These past 20 years have seen some very painful budgets and some budgets that helped move our organization and community forward with new programs and services. The majority of the time, our budget is about survival and trying to deflect the negative impacts we often feel from other units of government, the economy and a global pandemic.

The CY2023 Budget is a budget of optimism.

I acknowledge the pending recession, but our finances have never been stronger. We have diligently worked to reduce our debt, while maintaining excellent fund balance levels which will allow us to weather a recession without reducing services or eliminating projects. We also have once again done what we can to mitigate the property tax burden of our residents.

I am optimistic that our financial foundation is solid, and you will not find a more dedicated and efficient workforce anywhere in the area. We accomplish more than other communities and do it with fewer employees. Everyone works as a team with the common goal of helping people.

The employees and the Village Council remain committed to working together to deliver the most efficient and responsive local government services. There remain new challenges ahead of us if we are to remain a strong community. We have always risen to the challenge and will continue to do so.

As I have said throughout my tenure as Village Manager, nothing in this budget would be possible without the dedication and commitment of our employees. They serve 24 hours a day, 7 days a week, 365 days a year. You will not find a more committed and efficient Staff anywhere. I could not do my job without all their effort. This Budget demonstrates our commitment to the Village Council, the community, and to all that serve the public.

Thank you for the opportunity to continue to serve and lead this organization.

Respectfully submitted,

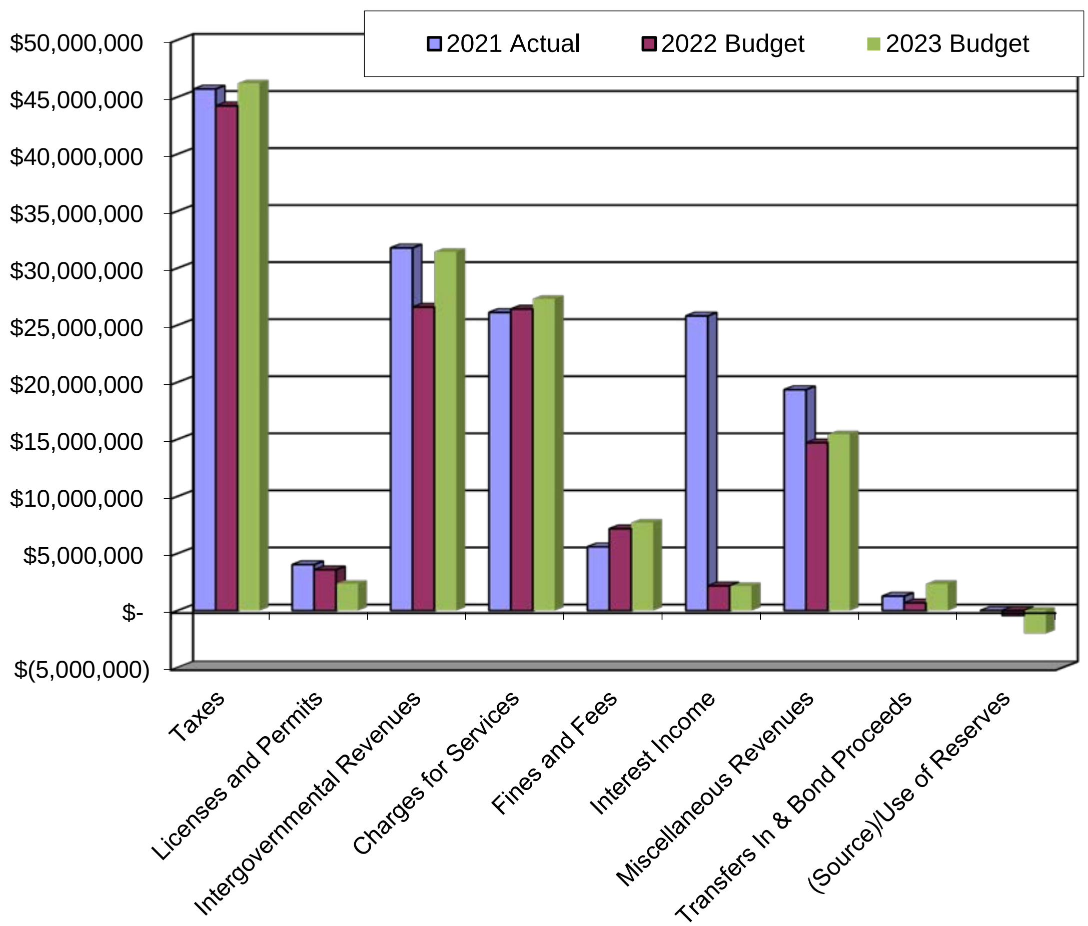
Reid T. Ottesen

Reid T. Ottesen
Village Manager

Village of Palatine
CY 2023 Proposed Budget - Budget Overview

All Funds Revenues

	2021 Actual	2022 Adopted Budget	2023 Proposed Annual Budget	% Change
Taxes	$ 45,704,141	$ 44,228,934	$ 46,201,034	4.46%
Licenses and Permits	4,024,147	3,574,200	2,350,000	-34.25%
Intergovernmental Revenues	31,776,332	26,585,084	31,437,063	18.25%
Charges for Services	26,118,274	26,413,523	27,311,732	3.40%
Fines and Fees	5,581,007	7,164,800	7,700,600	7.48%
Interest Income	25,808,744	2,163,075	2,151,675	-0.53%
Miscellaneous Revenues	19,348,579	14,693,160	15,441,060	5.09%
Transfers In & Bond Proceeds	1,258,382	670,000	2,338,000	248.96%
(Source)/Use of Reserves	-	(432,891)	(2,005,030)	363.17%
All Revenues Total	**$ 159,619,606**	**$ 125,059,885**	**$ 132,926,134**	**6.29%**



Village of Palatine
CY 2023 Proposed Budget - Budget Overview

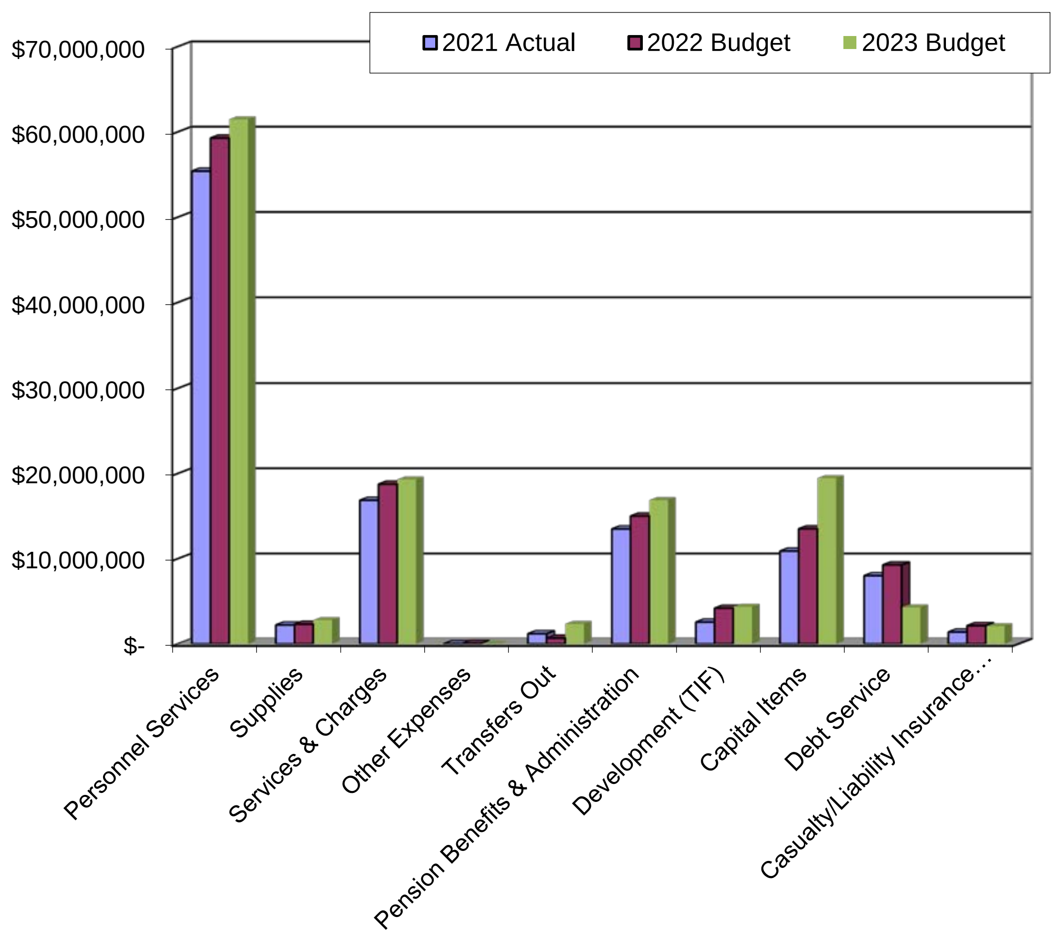
Fund Revenue Summary

		2021 Actual	2022 Adopted Budget	2023 Proposed Annual Budget	% Change
100	General	$ 69,333,897	$ 64,640,172	$ 68,859,310	6.53%
205	Motor Fuel Tax	4,275,067	2,493,475	2,582,990	3.59%
210	CDBG	506,831	484,944	479,813	-1.06%
221	Federal Equitable Sharing	87,526	20,000	20,000	0.00%
222	State Equitable Sharing	9,698	5,000	43,500	770.00%
223	DUI Fines	3,776	-	-	0.00%
224	Foreign Fire Insurance Tax	125,686	70,000	70,000	0.00%
231	Dundee Road TIF (TIF #1)	157	-	-	0.00%
232	Rand/Dundee TIF (TIF #2)	6	-	-	0.00%
233	Downtown TIF (TIF #3)	7,323,615	5,349,295	5,740,000	7.30%
234	Rand Corridor TIF (TIF #4)	3,670,580	4,380,195	4,713,180	7.60%
235	Rand/Lake Cook TIF (TIF #5)	1,318,509	1,355,000	1,505,000	11.07%
300	Debt Service	1,274,141	1,285,581	1,780,581	38.50%
401	Capital Equipment	1,910,641	1,366,630	832,405	-39.09%
402	Capital Improvements	791,787	1,700,885	1,287,140	-24.33%
605	Waterworks	12,753,015	13,663,610	14,076,285	3.02%
610	Sewerage	4,703,649	4,104,353	4,601,260	12.11%
615	Refuse	4,438,399	4,739,215	4,697,470	-0.88%
620	Parking System	184,194	583,500	607,020	4.03%
702	Liability Insurance	1,630,168	2,130,000	2,076,225	-2.52%
710	Fleet Services	1,779,052	1,693,530	2,086,955	23.23%
801	Police Pension	23,771,280	7,586,000	8,583,500	13.15%
802	Fire Pension	15,254,921	7,408,500	8,283,500	11.81%
825	SSA #5	4,473,011	-	-	0.00%
All Funds Revenue Total		**$ 159,619,606**	**$ 125,059,885**	**$ 132,926,134**	**6.29%**

Village of Palatine
CY 2023 Proposed Budget - Budget Overview

All Funds Expenditures

	2021 Actual	2022 Adopted Budget	2023 Proposed Annual Budget	% Change
Personnel Services	$ 55,387,515	$ 59,269,480	$ 61,469,825	3.71%
Supplies	2,210,793	2,293,395	2,782,010	21.31%
Services & Charges	16,848,791	18,741,474	19,293,198	2.94%
Other Expenses	2,080	27,500	27,500	0.00%
Sub-Total Operations	**$ 74,449,179**	**$ 80,331,849**	**$ 83,572,533**	**4.03%**
Transfers Out	1,182,600	670,000	2,338,000	248.96%
Pension Benefits & Administration	13,482,907	14,994,500	16,867,000	12.49%
Development (TIF)	2,550,802	4,175,000	4,350,000	4.19%
Capital Items	10,884,062	13,497,700	19,448,515	44.09%
Debt Service	7,996,678	9,260,836	4,273,861	-53.85%
Casualty/Liability Insurance Administration	1,385,859	2,130,000	2,076,225	-2.52%
All Expenditures Total	**$ 111,932,087**	**$ 125,059,885**	**$ 132,926,134**	**6.29%**



Village of Palatine
CY 2023 Proposed Budget - Budget Overview

Fund Expenditure Summary

		2021 Actual	2022 Adopted Budget	2023 Proposed Annual Budget	% Change
100	General	$ 59,700,097	$ 64,640,172	$ 68,859,310	6.53%
205	Motor Fuel Tax	2,864,113	2,493,475	2,582,990	3.59%
210	CDBG	429,552	484,944	479,813	-1.06%
221	Federal Equitable Sharing	22,004	20,000	20,000	0.00%
222	State Equitable Sharing	7,572	5,000	43,500	770.00%
224	Foreign Fire Insurance Tax	82,859	70,000	70,000	0.00%
233	Downtown TIF (TIF #3)	3,672,405	5,349,295	5,740,000	7.30%
234	Rand Corridor TIF (TIF #4)	4,384,111	4,380,195	4,713,180	7.60%
235	Rand/Lake Cook TIF (TIF #5)	1,000	1,355,000	1,505,000	11.07%
300	Debt Service	1,279,081	1,285,581	1,780,581	38.50%
401	Capital Equipment	734,887	1,366,630	832,405	-39.09%
402	Capital Improvements	607,369	1,700,885	1,287,140	-24.33%
605	Waterworks	12,682,582	13,663,610	14,076,285	3.02%
610	Sewerage	3,420,881	4,104,353	4,601,260	12.11%
615	Refuse	4,924,434	4,739,215	4,697,470	-0.88%
620	Parking System	475,879	583,500	607,020	4.03%
702	Liability Insurance	1,385,859	2,130,000	2,076,225	-2.52%
710	Fleet Services	1,774,495	1,693,530	2,086,955	23.23%
801	Police Pension	6,860,813	7,586,000	8,583,500	13.15%
802	Fire Pension	6,622,094	7,408,500	8,283,500	11.81%
All Funds Expenditure Total		**$ 111,932,087**	**$ 125,059,885**	**$ 132,926,134**	**6.29%**

Village of Palatine
CY 2023 Proposed Budget - Budget Overview

Fund Balance Summary

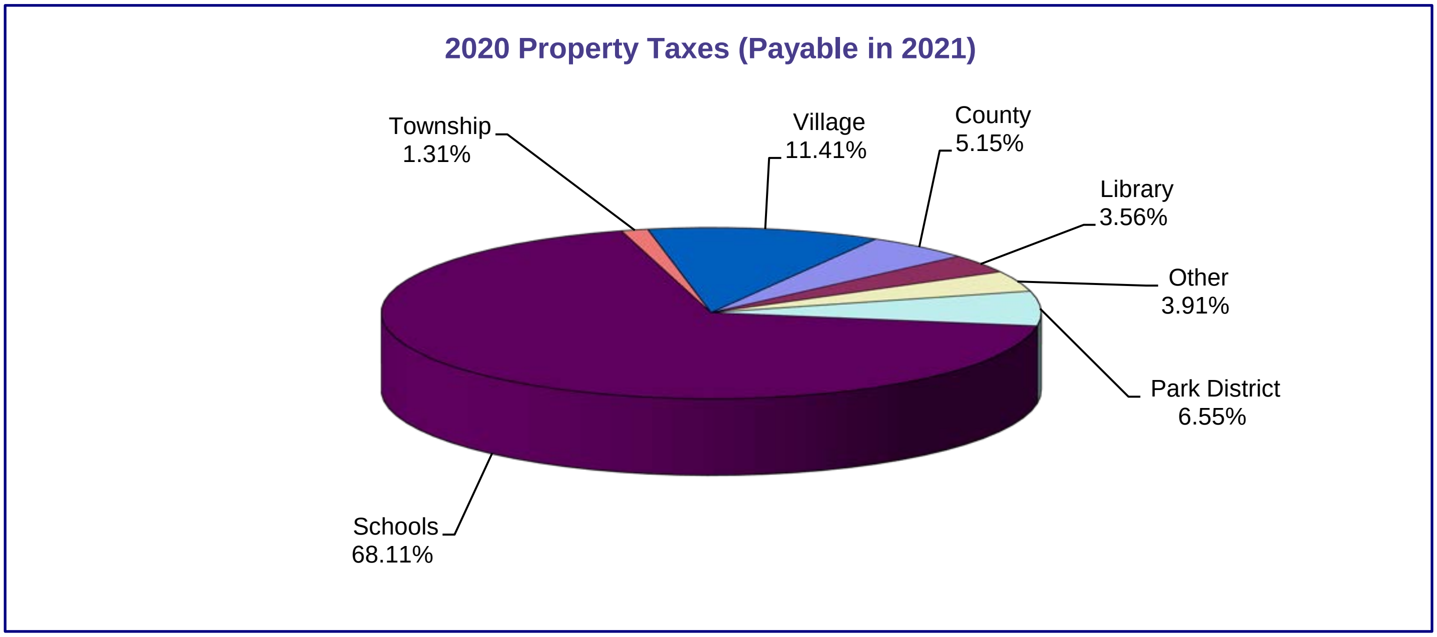
		Estimated Beginning Fund Balance	2023 Projected (Source)/Use of Reserves	Estimated Ending Fund Balance
100	General (Includes Economic Stabilization Reserve)	$ 29,968,640	$ (284,155)	$ 30,252,795
205	Motor Fuel Tax	987,538	(205,960)	1,193,498
210	CDBG	-	-	-
221	Federal Equitable Sharing	480,861	-	480,861
222	State Equitable Sharing	94,516	23,500	71,016
224	Foreign Fire Insurance Tax	231,845	-	231,845
233	Downtown TIF (TIF #3)	12,423,265	(1,862,500)	14,285,765
234	Rand Corridor TIF (TIF #4)	3,315,726	1,111,680	2,204,046
235	Rand/Lake Cook TIF (TIF #5)	3,039,683	54,500	2,985,183
255	CDBG - CV Fund	-	-	-
256	ARPA Fund	1,174	-	1,174
300	Debt Service	1,900,224	(1,642,000)	3,542,224
401	Capital Equipment	4,654,940	(1,274,850)	5,929,790
402	Capital Improvements	3,895,766	(329,560)	4,225,326
605	Waterworks	6,696,419	793,285	5,903,134
610	Sewerage	989,969	398,355	591,614
615	Refuse	(48,851)	(198,390)	149,539
620	Parking System	1,172,544	290,140	882,404
702	Liability Insurance	4,367,246	367,925	3,999,321
710	Fleet Services	333,269	20,000	313,269
801	Police Pension	117,481,964	418,500	117,063,464
802	Fire Pension	102,822,533	314,500	102,508,033
All Funds Total		**$ 294,809,271**	**$ (2,005,030)**	**$ 296,814,301**

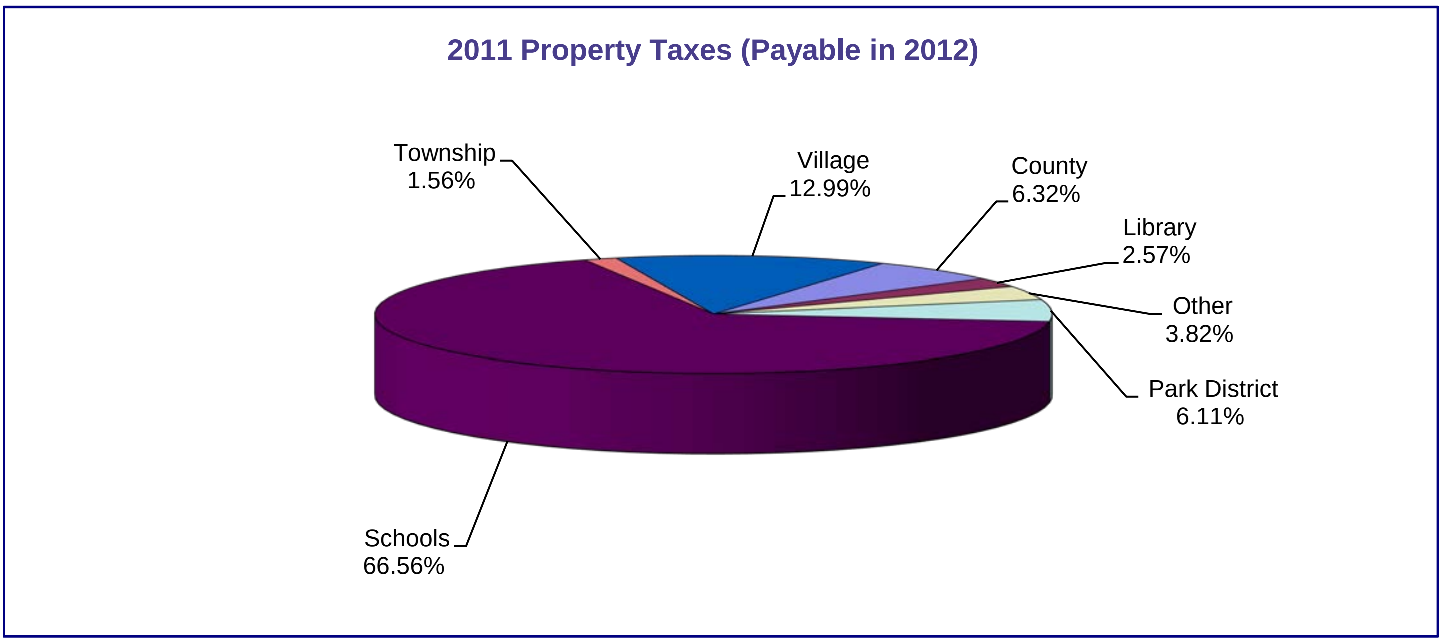
An operating reserve is set aside to provide a cushion against unexpected events, losses of revenue, and large unbudgeted expenditures. The most common trigger for use of reserves is on the income side, such as when a previously reliable source is reduced or withdrawn. Another common reason for either creating or using reserves is when there is a timing difference between when a revenue is recorded and the underlying expenditure is made.

In many cases, one of the main purposes of a fund is to accumulate funds today for a known or planned future outlay. Pension funds and funds that provide for capital outlay (Capital Projects and Enterprise Funds) are a good example of this accumulation of funds today for future outlays.

Village of Palatine
CY 2023 Proposed Budget - Budget Overview

Property Taxes





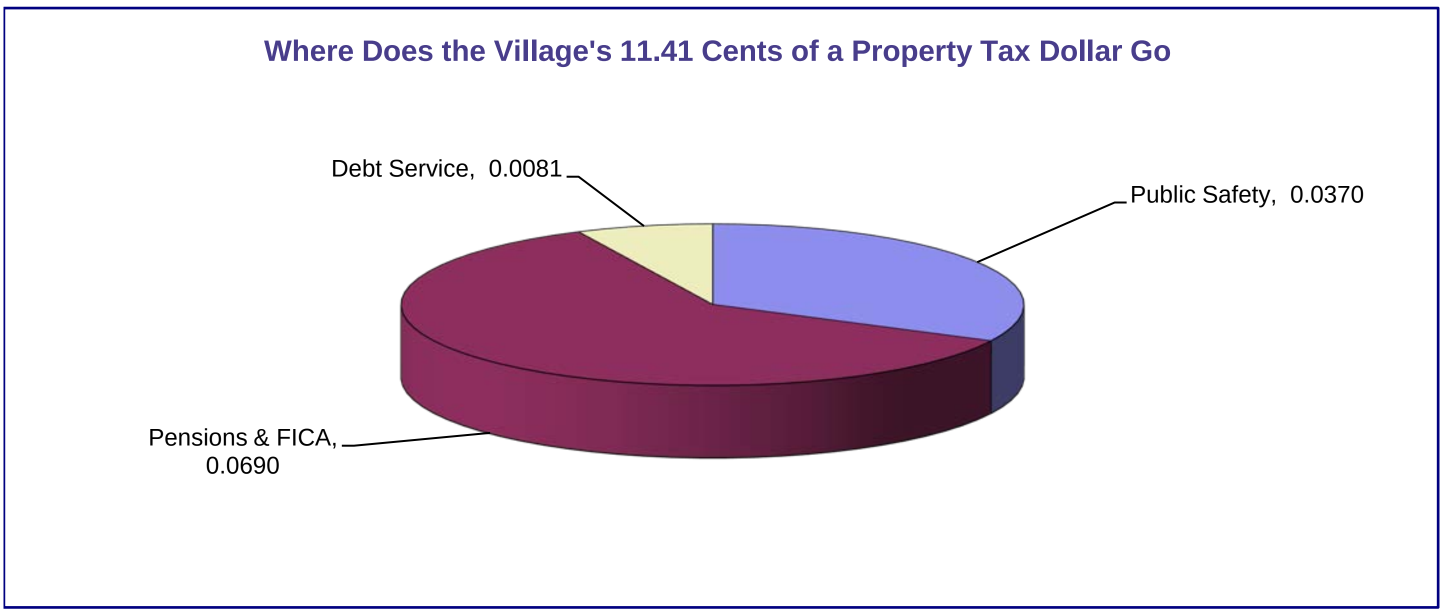
Village of Palatine
CY 2023 Proposed Budget - Budget Overview

Property Taxes

Property Taxes fund Public Safety (Police and Fire Protection), the Village's share of Retirement Plan funding (FICA, IMRF, Police and Firefighters' Pensions), and Debt Service.

The Village has been diligent in monitoring its use of property taxes; the level of the Village's EAV; and the resultant tax rate. It has been the policy of the Village to be cognizant of the impact that the use of property taxes has upon its citizenry. This fact is represented in 6 consecutive years of either decreasing or constant property tax levies (2012-2017). Additionally, as can be seen from the graphs on the previous page, as compared to the other taxing districts within the Village, the Village's portion of the tax bill has remained fairly constant and relatively minor in relation to the total tax bill.

For 2023, the Village is proposing a property tax levy reduction.



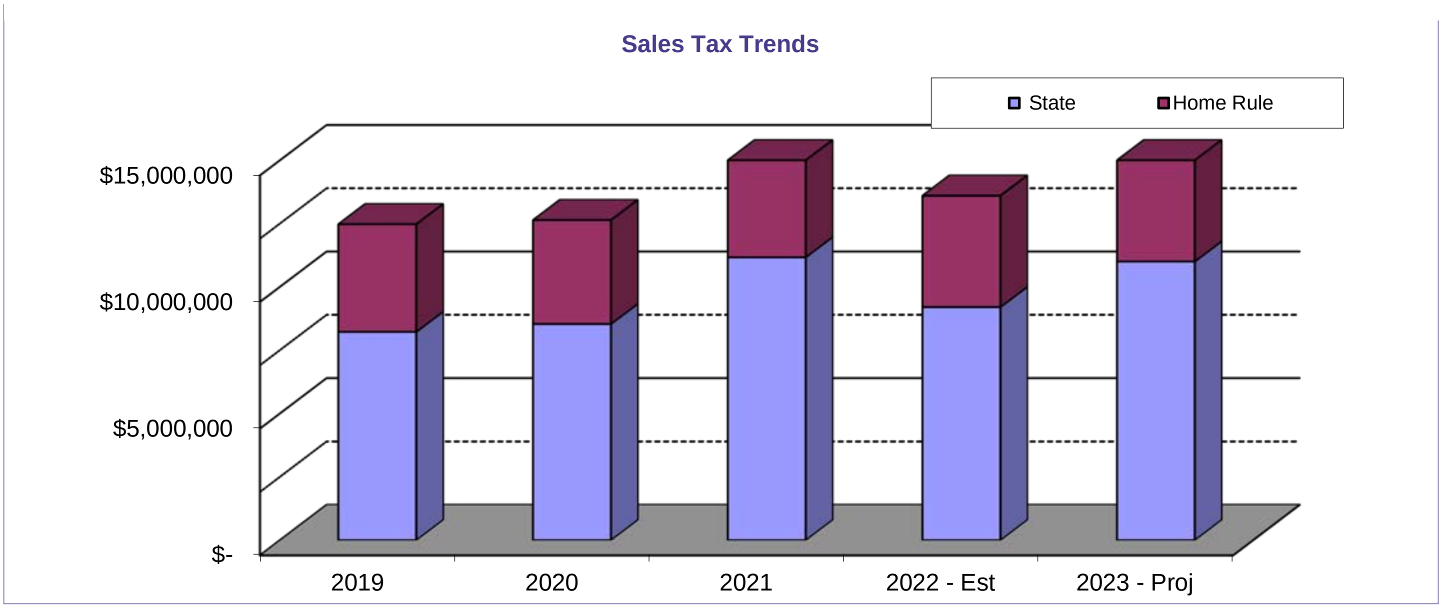
Village of Palatine
CY 2023 Proposed Budget - Budget Overview

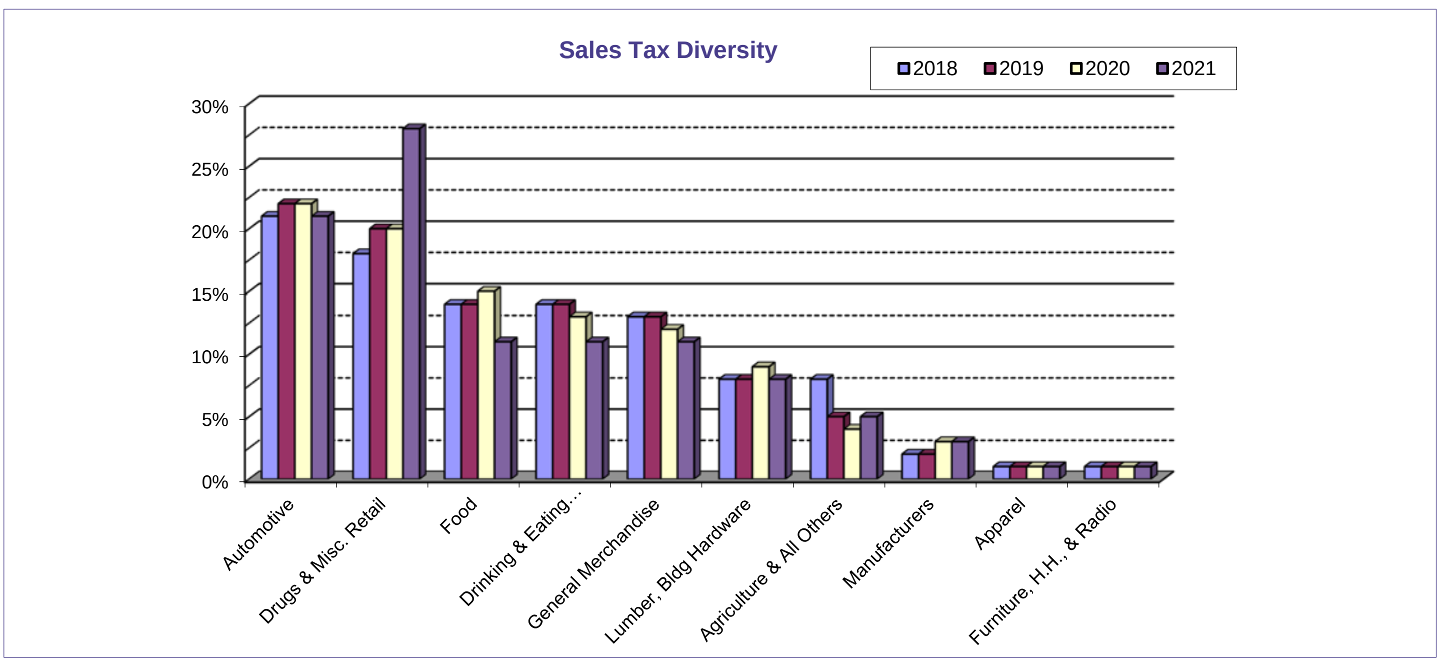
Sales Tax

The CY 2023 projection is based upon the current trend of receipts. This revenue source is very dependent on the strength of the economy and is a significant source of revenue to the general fund. The first graph below illustrates the trend of total collections.

The major strength in this revenue source for the Village of Palatine is the relative diversity in our sales tax generators. As can be seen in the second chart on this page, Palatine does not rely solely on one main sector of the local economy.

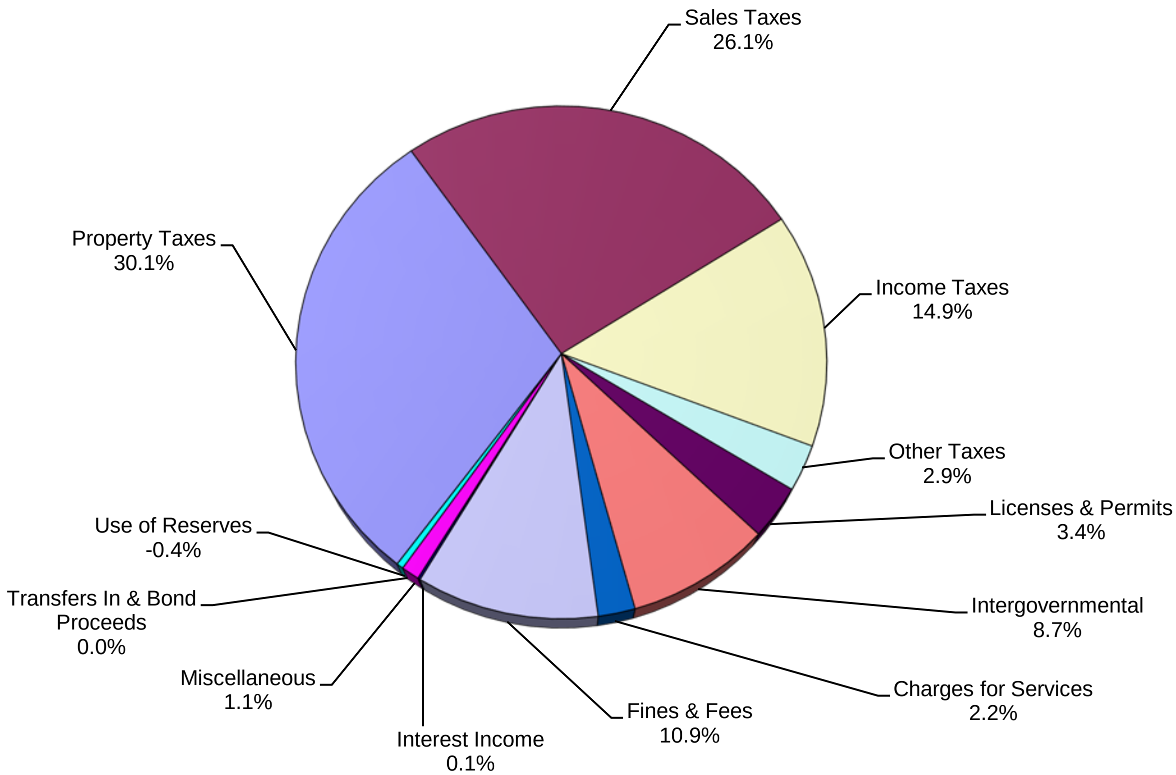
The diversity of the sales tax generators means that if one sector were to experience a downturn, the other sectors would compensate for it. As can be seen, four of the top five producers, excluding automotive, account for 61% of sales tax dollars and are for sectors that are not generally discretionary in nature.





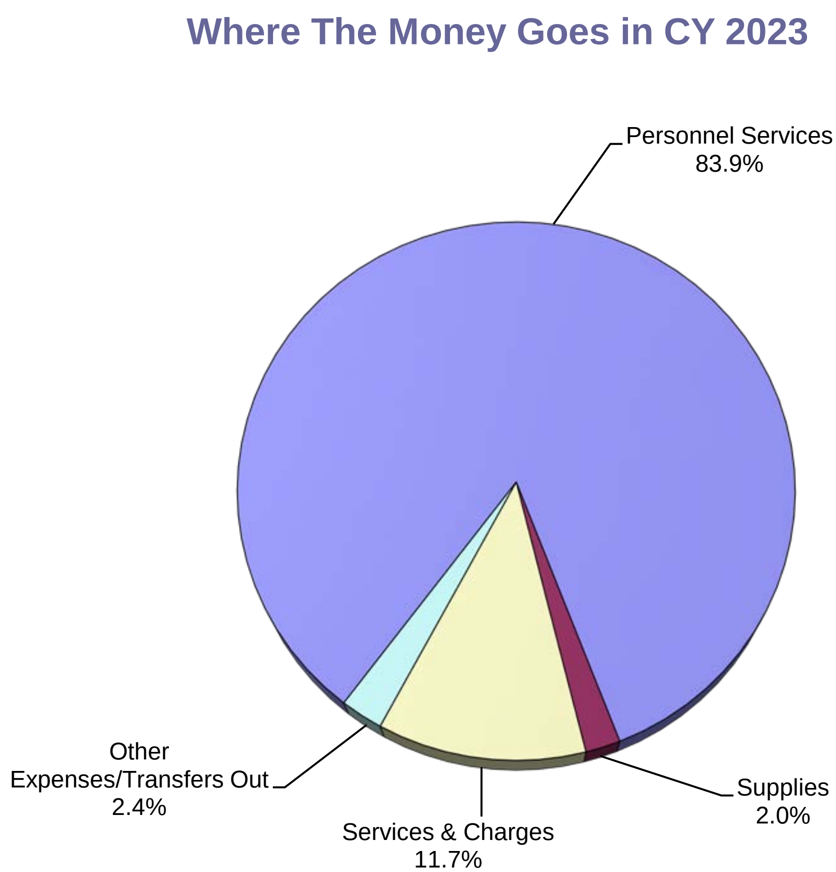
General Fund Revenue

Where The Money Comes From CY 2023



Revenues By Type	2021 Actual	2022 Adopted Budget	2023 Proposed Annual Budget	% Change
Taxes	$ 30,897,540	$ 28,312,678	$ 29,282,678	3.43%
Licenses & Permits	4,011,603	3,560,700	2,337,000	-34.37%
Intergovernmental	26,501,973	23,296,340	27,754,050	19.13%
Charges for Services	1,538,039	1,552,988	1,521,962	-2.00%
Fines & Fees	5,345,869	6,912,300	7,398,100	7.03%
Interest Income	96,278	101,400	100,000	-1.38%
Miscellaneous	778,590	732,655	749,675	2.32%
Transfers In & Bond Proceeds	75,782	-	-	-
Use of Reserves	-	171,111	(284,155)	-266.06%
Total Revenues	**$ 69,245,674**	**$ 64,640,172**	**$ 68,859,310**	**6.53%**

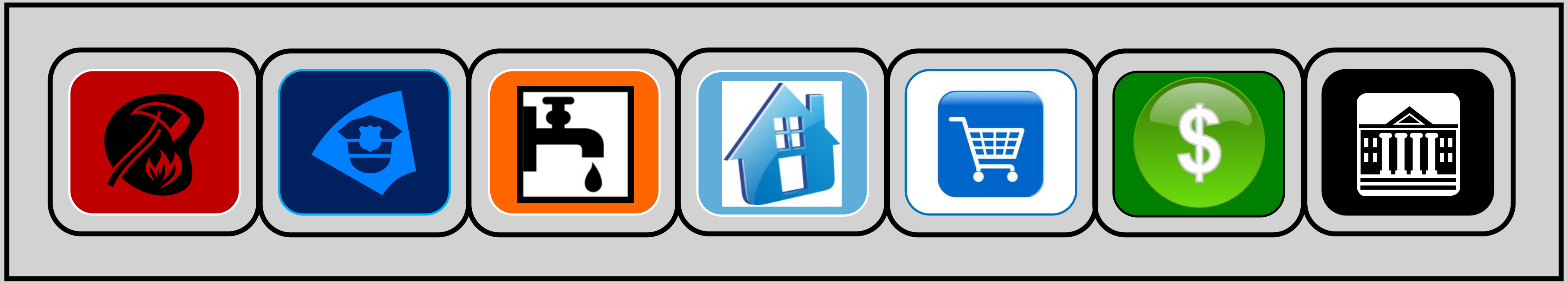
General Fund Expenditures



Expenditures by Type	2021 Actual	2022 Adopted Budget	2023 Proposed Annual Budget	% Change
Personnel Services	$ 52,301,680	$ 55,830,180	$ 57,746,885	3.43%
Supplies	1,023,241	1,086,025	1,353,275	24.61%
Services & Charges	6,313,096	7,696,467	8,089,650	5.11%
Other Expenses/Transfers Out	62,080	27,500	1,669,500	5970.91%
Total Expenditures	**$ 59,700,097**	**$ 64,640,172**	**$ 68,859,310**	**6.53%**

VILLAGE OF PALATINE
Est. 1866

CY 2023 PROPOSED BUDGET & CAPITAL INVESTMENT PLAN



VILLAGE OF PALATINE Est. 1866

CY 2023 Budget Summary

Expenditures	*2022 Adopted Budget*	*2023 Proposed Budget*	*% Change*
Personnel Services	$59,269,480	$61,469,825	3.71%
Supplies	$2,293,395	$2,782,010	21.31%
Services and Charges	$18,741,474	$19,293,198	2.94%
Other Expenses	$27,500	$27,500	0.00%
Sub-Total Operations	**$80,331,849**	**$83,572,533**	**4.03%**
Transfers Out	$670,000	$2,338,000	248.96%
Pension Benefits and Administration	$14,994,500	$16,867,000	12.49%
Development (TIF)	$4,175,000	$4,350,000	4.19%
Capital Investment	$13,497,700	$19,448,515	44.09%
Debt Service	$9,260,836	$4,273,861	-53.85%
Casualty/Liability Insurance Administration	$2,130,000	$2,076,225	-2.52%
Total Expenditures	***$125,059,885***	***$132,926,134***	***6.29%***

VILLAGE OF PALATINE Est. 1866

CY 2023 Overview

- 2% Reduction in Property Tax Levy
- $1,642,000 Debt Retirement Funding
- $750,000 Supplemental Public Safety Pension Payment
- Additional Police Officer (Traffic Unit)
- New Police Sergeant
- Assistant Director of Public Works
- Record Investment in Road Network
- Record Investment in Water System
- Commence 10-Year Stormwater Management Program
- Smith and Colfax Intersection Improvement

VILLAGE OF PALATINE Est. 1866

CY 2023 Budget "But For"……

- Included in the $7,866,249 increase
  - $1,642,000 Debt Retirement Funding
  - $750,000 Supplemental Public Safety Pension Payment
  - $367,325 Salt and Motor Fuel Increases
  - $5,950,815 Capital Investment Increase
    - $3.43 million storm water
    - $2.06 million roads
- "But For" the Above - Budget Decrease of $843,891

VILLAGE OF PALATINE Est. 1866

Revenue Overview

Revenues	2022 Adopted Budget	2023 Proposed Budget	% Change
Taxes	$44,228,934	$46,201,034	4.46%
Licenses & Permits	$3,574,200	$2,350,000	-34.25%
Intergovernmental	$26,585,084	$31,437,063	18.25%
Charges for Services	$26,413,523	$27,311,732	3.40%
Fines & Fees	$7,164,800	$7,700,600	7.48%
Interest	$2,163,075	$2,151,675	-0.53%
Pension Contributions/Misc.	$14,693,160	$15,441,060	5.09%
Transfers/Bond Proceeds	$670,000	$2,338,000	248.96%
Sinking Funds/Reserves	$-432,891	$-2,005,030	363.17%
Total	**$125,059,885**	**$132,926,134**	**6.29%**

VILLAGE OF PALATINE
Est. 1866

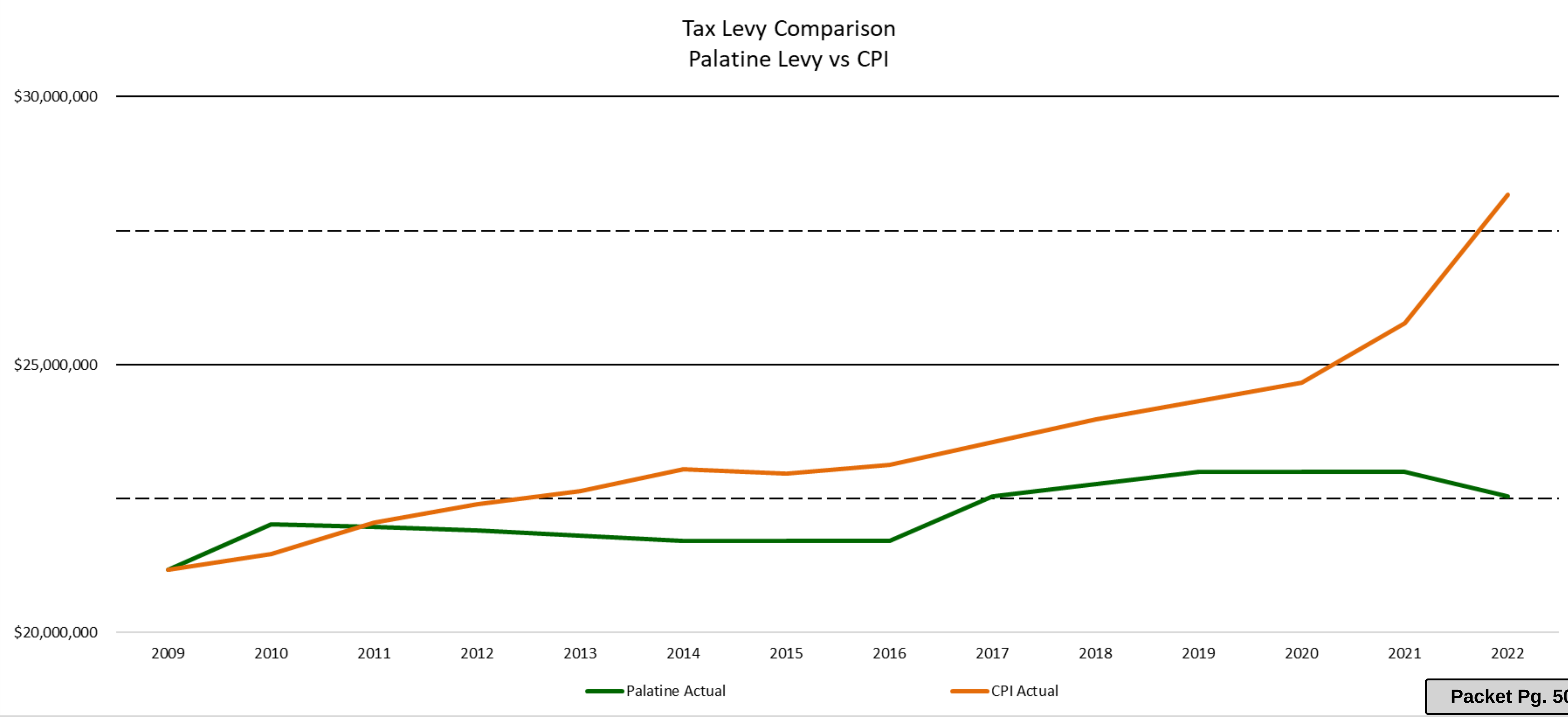
Revenue Overview

- Property Tax Reduction
- General Fee Adjustment of 3.00%
- Sewer Rate: $0.05 Increase per 1,000 Gallons
- Water Rate: $0.25 Increase per 1,000 Gallons
- Refuse Fee: $1.00 Increase per month
- Storm Water Maintenance Fee: $1.25 Decrease per month

(Reflects continued emphasis on critical infrastructure and reduced consumption)

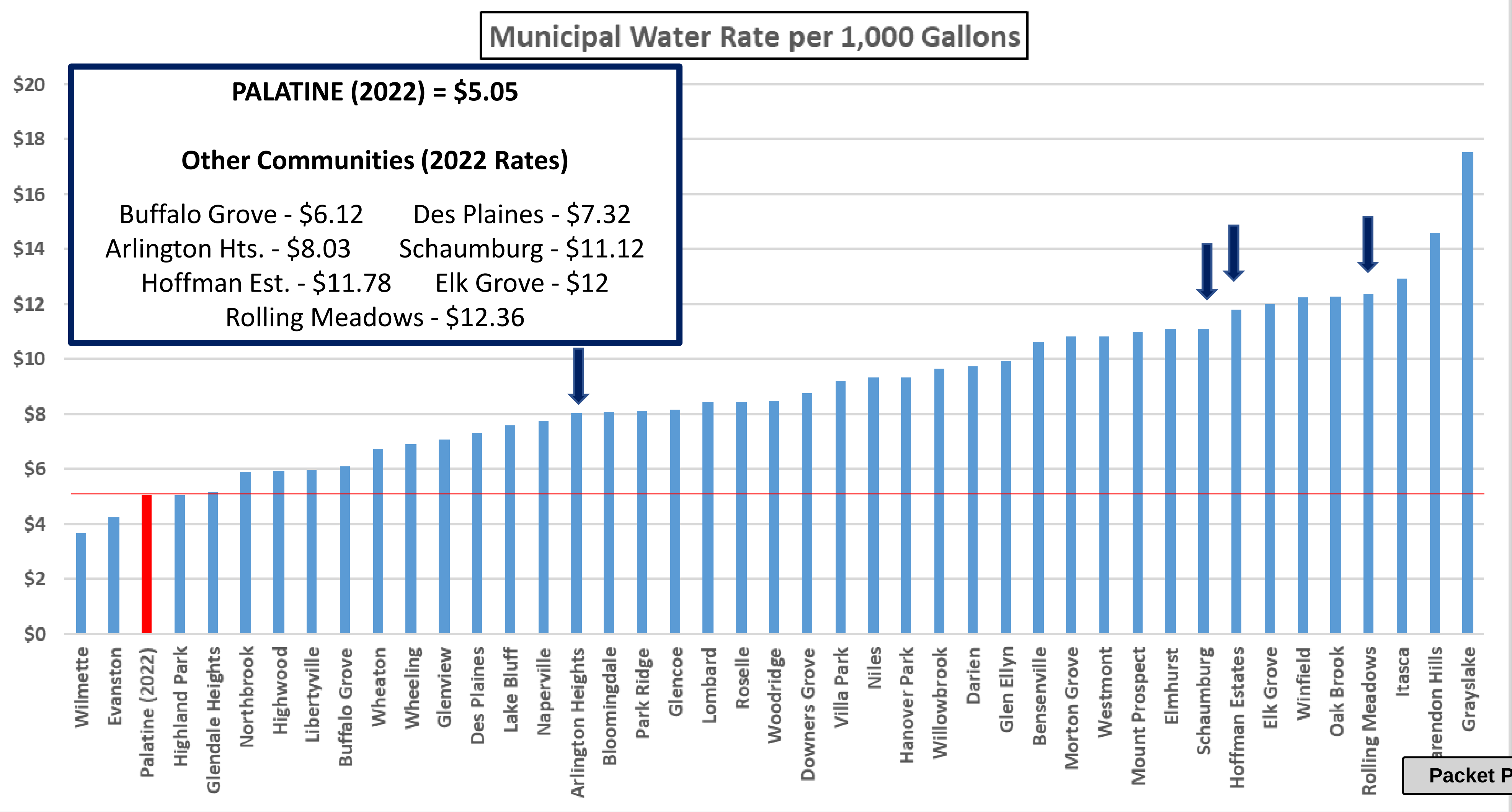
Palatine Tax Levy vs. CPI

Total Annual Levy (in $Millions)

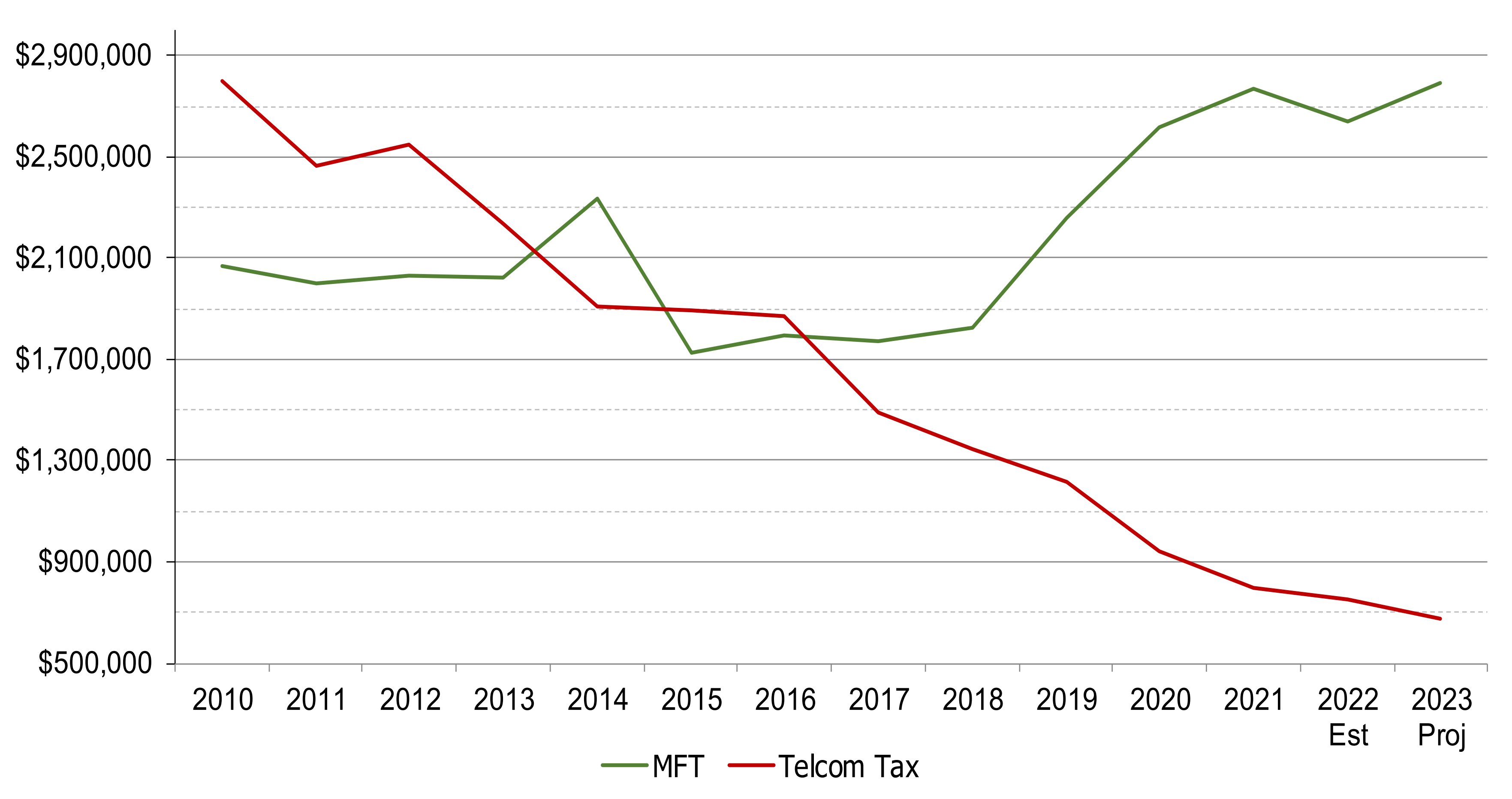


VILLAGE OF PALATINE Est. 1866

Municipal Water Rates (per 1,000 Gallons)



Capital Program Revenues (2010 – 2023)



VILLAGE OF PALATINE
Est. 1866

CY 2023
PROPOSED
BUDGET

OPERATING BUDGET

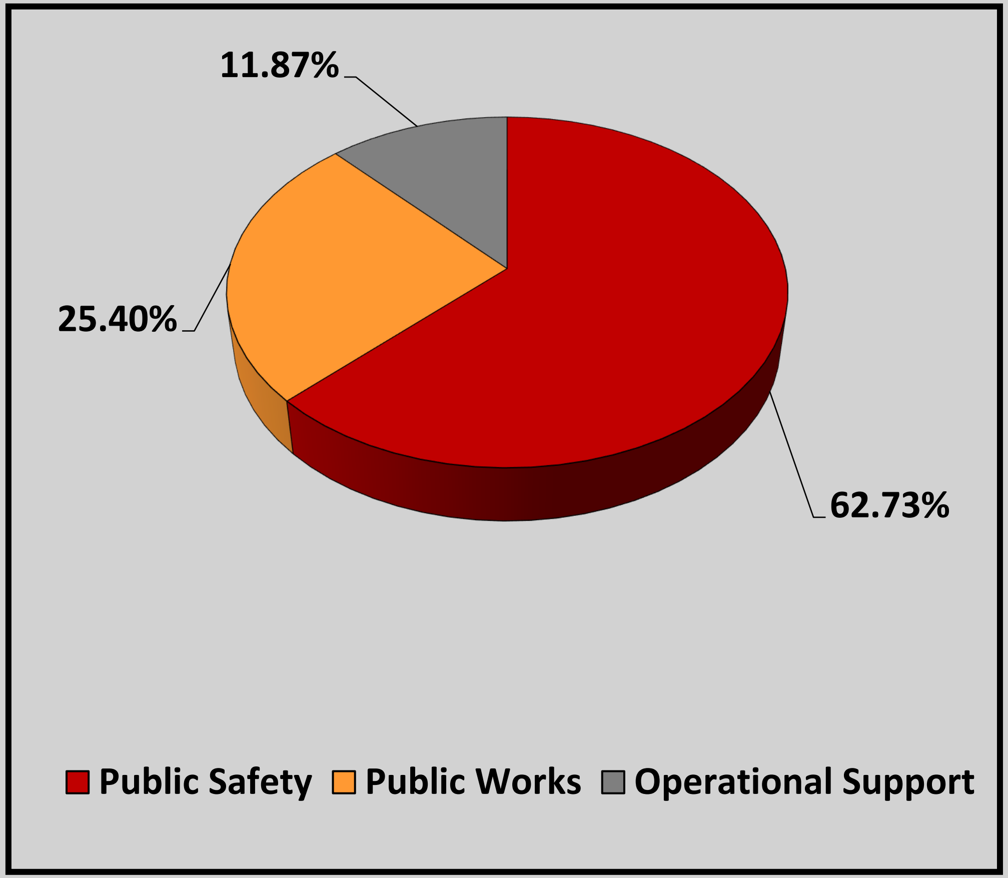
VILLAGE OF PALATINE Est. 1866

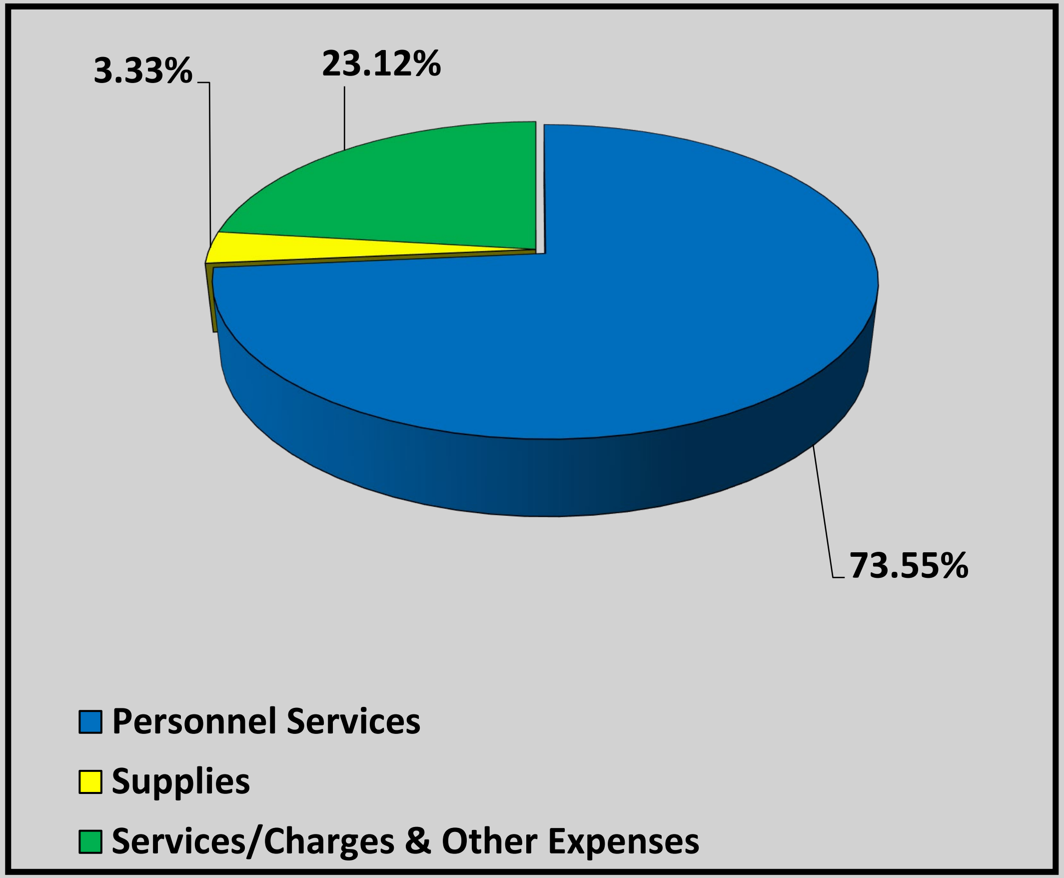
Expenditure Overview: Total Operating Budget

Expenditures	2022 Adopted Budget	2023 Proposed Budget	% Change
Personnel Services	$59,269,480	$61,469,825	3.71%
Supplies	$2,293,395	$2,782,010	21.31%
Services & Charges/Other	$18,768,974	$19,320,698	2.94%
Total	**$80,331,849**	**$83,572,533**	**4.03%**

VILLAGE OF PALATINE Est. 1866

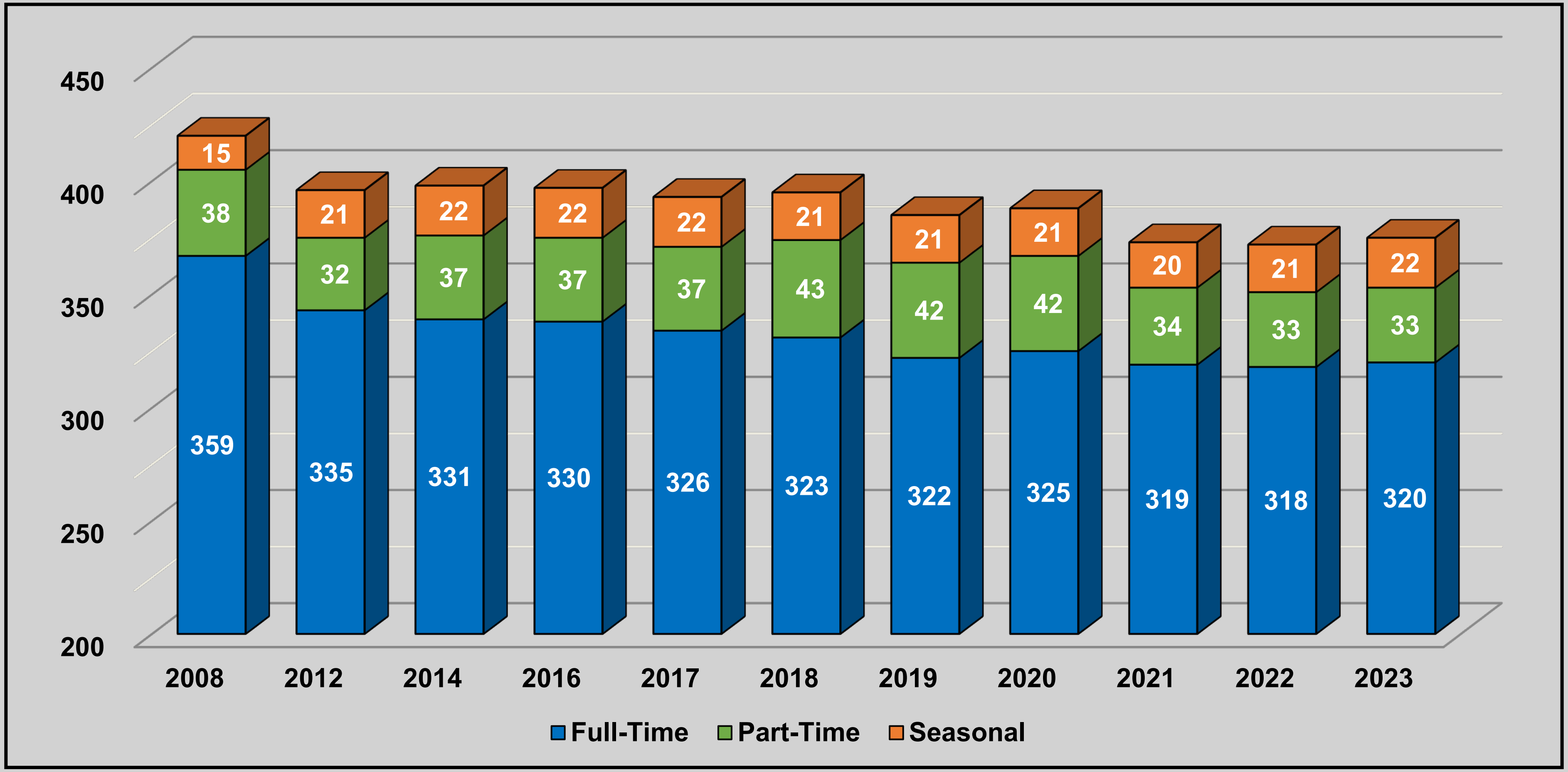
Operating Expenditures by Function





88% of Costs = Public Safety and PW

Historical Staffing Levels



* Does not include elected officials

VILLAGE OF PALATINE
Est. 1866

CY 2023 PROPOSED BUDGET

DEPARTMENT OPERATING BUDGETS

VILLAGE OF PALATINE
Est. 1866

Expenditure Overview: Police Department

Expenditures	*2022 Adopted Budget*	*2023 Proposed Budget*	*% Change*
Personnel Services	$23,989,490	$24,961,930	4.05%
Supplies	$183,550	$191,415	4.28%
Services and Charges	$1,396,795	$1,439,075	3.03%
Department Total	**$25,569,835**	**$26,592,420**	**4.00%**

Palatine 24/7 : Police Services

VILLAGE OF PALATINE Est. 1866

Police Department

- **Initiatives and Impacts**
  - **Implement Body Worn Cameras, In-car Video and Taser Deployment**
  - **Implementation of SAFE-T Act and monitor impact on community**
    - **Bail reform**
    - **Mandatory appearance schedule**
  - **Continue implementation of pro-active code enforcement with Community Development**
  - **Evaluation of Police Social Work Program**
  - **Sergeant as subject matter expert on liquor/gaming/recreational marijuana**

VILLAGE OF PALATINE Est. 1866

Expenditure Overview: Fire Department

Expenditures	*2022 Adopted Budget*	*2023 Proposed Budget*	*% Change*
Personnel Services	$20,620,305	$21,101,085	2.33%
Supplies	$192,140	$197,365	2.72%
Services and Charges	$1,194,740	$1,383,235	15.78%
Department Total	**$22,007,185**	**$22,681,685**	**3.06%**

Palatine 24/7 : Fire Services

VILLAGE OF PALATINE Est. 1866

Fire Department

- Initiatives and Impacts
  - Continue overhaul of FD fleet program including reduction in Fire Prevention Division fleet, replacement of Battalion Chief vehicle, and place new tower-ladder in service.
  - Coordinate and oversee the Administrative addition of Station 82 and rehabilitation of Station 85
  - Coordinate implementation of new outdoor warning siren system
  - Review and revise the Inverness Fire Protection District auto aid/mutual aid agreement

VILLAGE OF PALATINE Est. 1866

Expenditure Overview: Public Works Department

Expenditures	*2022 Adopted Budget*	*2023 Proposed Budget*	*% Change*
Personnel Services	$7,491,695	$8,041,990	7.35%
Supplies	$1,832,140	$2,292,505	25.13%
Services and Charges	$10,516,163	$10,890,900	3.56%
Department Total	**$19,839,998**	**$21,225,395**	**6.98%**

Palatine 24/7 : Infrastructure

VILLAGE OF PALATINE Est. 1866

Public Works Department

- Initiatives and Impacts
  - Smith and Colfax Stormwater Improvements to Design Phase
  - Implementation of 10-Year Storm and Sanitary Sewer Plan
  - Commence Streetlight LED Conversions
  - Continue to advance the Palatine Road/Quentin Intersection Project and Seek Additional Funding Opportunities

VILLAGE OF PALATINE Est. 1866

Expenditure Overview: Other Village Departments

Department	*2022 Adopted Budget*	*2023 Proposed Budget*	*% Change*
Community Development	$3,167,839	$3,222,734	1.73%
Finance & Operations	$1,862,255	$1,766,985	-5.12%
Information Systems	$1,487,914	$1,545,152	3.85%
Village Manager's Office/Legal	$1,556,005	$1,590,210	2.20%
Human Resources	$517,085	$543,930	5.19%
Mayor & Council	$317,685	$325,550	2.48%
Village Clerk	$158,130	$167,480	5.91%
Other Boards	$54,895	$67,595	23.14%
Department Totals	**$9,121,808**	**$9,229,636**	**1.18%**

VILLAGE OF PALATINE Est. 1866

Other Departments

- Initiatives and Impacts
  - Community Involved Comprehensive Plan Update
  - Implementation of Downtown Projects with TIF Extension
  - Ongoing Revenue Monitoring with Looming Recession
  - Complete Evaluation of All Job Descriptions
  - Implementation of Information Technology Strategic Plan
  - Refine the Business License Process and Fee Structure

VILLAGE OF PALATINE
Est. 1866

CY 2023 PROPOSED BUDGET

NON-OPERATING EXPENSES &

CAPITAL INVESTMENT

VILLAGE OF PALATINE Est. 1866

Expenditure Overview: Capital Investment

Expenditures	*2022 Adopted Budget*	*2023 Proposed Budget*	*% Change*
Buildings & Facilities	$577,000	$1,080,000	87.18%
Storm Water Management	$735,000	$4,165,000	466.67%
Right-of-Way Improvements	$715,215	$741,880	3.73%
Sanitary Sewer System	$200,000	$300,000	50.00%
Streets	$4,097,360	$6,160,130	50.34%
Technology	$649,700	$783,500	20.59%
Vehicles & Equipment	$1,041,930	$847,405	-18.67%
Water System	$5,481,495	$5,370,600	-2.02%
Total	**$13,497,700**	**$19,448,515**	**44.09%**

VILLAGE OF PALATINE Est. 1866

Storm Water Management: $4,165,000

Ditch Analysis & Rehabilitation	$	200,000
Roadway Drainage Improvements	$	175,000
Storm Sewer/Drain Tile Replacement	$	100,000
Bridges & Culverts	$	70,000
Storm Sewer Slip Lining	$	60,000
Residential Drainage Improvements	$	30,000
Creek Outfall Structures Rehab	$	30,000

Special Funding Sources

Smith and Colfax Commencement	$	3,500,000

VILLAGE OF PALATINE
Est. 1866

Streets: $6,160,130

Road Resurfacing	**$ 3,002,990**
• Concrete Edging Extension	$ 86,000
• 50/50 Curb & Apron Replacement	$ 136,140
• Integral Curb Program	$ 135,000
Residential Street Reconstruction	**$ 1,000,000**
Arterial Street Improvements	**$ 300,000**

Special Funding Sources

DT Street Rehabilitation & Landscaping (Const Greeley North of Palatine Rd)	**$ 1,500,000**

VILLAGE OF PALATINE Est. 1866

Proposed 2022 Street Resurfacing List

Street	From	To
Anderson Drive	Williams	Wilke
Arlene Avenue	Joyce	Patricia
Aspen Court	Dundee	Cul-de-Sac
Avonsdale Drive	Wellington	Smith
Bothwell Street	Palatine	Helen
Charter Hall Drive	Northwest Hwy	Deer Run
Clyde Court	Kenilworth	Cul-de-Sac
Coolidge Avenue	Dead End North	Myrtle
Crabtree Drive	Dundee	North
Diane Drive	418 E Diane	Cul-de-Sac
West Elm Street	Cove	Coolidge
Evergreen Court	Quentin	Cul-de-Sac
Fern Court	Plum Grove Rd N	Plum Grove Rd S
Garden Avenue	Smith	N. Oak
Greenleaf Court	Illinois	Cul-de-Sac
Hampton Place	Kenilworth Ave W	Kenilworth Ave E
Harrison Street	Glencoe	Cul-de-Sac
Helen Road	Cedar	Plum Grove
Home Ave	Hicks	Larkspur
Hunting Court	Hunting Dr	Cul-de-Sac
Jack Pine Court	North	Cul-de-Sac S
Kensington Court	Whytecliff	Cul-de-Sac S
Kitson Drive	Williams	Williams
Kraml Court	Glencoe	Cul-de-Sac
Maple Street	Slade	Palatine
Meryls Court	Rosiland	Cul-de-Sac
Meryls Terrace	Rosiland	Ruhl
Nichols Road	Old Hicks	N Baldwin
North Street	Crabtree	Palos
Old Mill Drive	Pepper Tree	Cunningham
Rose Street	Palatine	Johnson
Smith Street	Dead End N	Bryant
Stuart Lane	Dorset	Gilbert
Three Willow Court	Illinois	Cul-de-Sac

VILLAGE OF PALATINE Est. 1866

Proposed 2023 Street Resurfacing List

Street	From	To
Wellington Court	Wellington Dr	Cul-de-Sac N
Wellington Drive	Avondale	Smith
Westmoreland Drive	Old Hicks	Nichols
Winterhaven Court	Dorset	Cul-de-Sac S
Alva Street	Maple	Quentin
Bon Aire Drive	Pompano	Bel Aire
Brentwood Drive	Westwood	Dee
North Cambridge Drive	Cornell	St. Johns
Creekside Drive	Twin Lakes	Northwest Hwy
Elmwood Avenue	Eisenhower	Lincoln
Franklin Avenue	Northwest Hwy	Alva
Greenwood Drive	Tahoe	Stark
Lenwood Drive	Lake-Cook	Brentwood
Meadow Lake Drive	Cunningham	Williams
Monterey Road	Topanga	Stark
Mozart Street	Robertson	Colfax
Oak Street	Robertson	Colfax
Pompano Lane	Stark	Rohlwing
Robertson Street	Oak	Schubert
Rosalie Lane	Westwood	Lenwood
Sayles Drive	Rohlwing	Clark
Schubert Street	Robertson	Wood
Twin Lakes Drive	Creekside	Twin Lakes Entrance
Westwood Lane	Rosalie	Dead End S
Wilson Street	Middleton	Wilson

VILLAGE OF PALATINE Est. 1866

Water System: $5,370,600

Water Main Replacements	$	3,627,500
• Rand Rd at Capri • Dundee Rd: Aspen to Quentin (TIF) • Lytle: Flake to Morris • Bedford: Whitehall to Chatham • Hunting Dr and Ct: Middleton to Mallard • Maple: Wilson N 325' • Cunningham West of Rohlwing		
Water Tank Maintenance Program	$	743,100
Water Tank Removal & Upgrades	$	500,000
Water Main Extensions & Looping	$	400,000
Well & Pump Station Improvements	$	100,000

VILLAGE OF PALATINE
Est. 1866

CY 2023 PROPOSED BUDGET

NON-OPERATING EXPENSES

& OTHER EXPENSES

VILLAGE OF PALATINE Est. 1866

Expenditure Overview: Other Expenses

Expenditures	2022 Adopted Budget	2023 Proposed Budget	% Change
Casualty/Liability Insurance Administration	$2,130,000	$2,076,225	-2.52%
Pension Benefits & Administration	$14,994,500	$16,867,000	12.49%
Other Personnel and Insurance Services/Charges	$2,240,035	$2,321,435	3.63%
Transfers	$2,222,988	$3,859,962	73.64%

CY 2023 PROPOSED BUDGET

NON-OPERATING EXPENSES

DEVELOPMENT

VILLAGE OF PALATINE Est. 1866

Expenditure Overview: Economic Development

Expenditures	*2022 Adopted Budget*	*2023 Proposed Budget*	*% Change*
TIF Redevelopment Projects	$575,000	$1,350,000	134.78%
TIF Surplus Rebate	$3,600,000	$3,000,000	-16.67%
Total	**$4,175,000**	**$4,350,000**	**4.19%**

VILLAGE OF PALATINE Est. 1866

TIF District Surplus Rebates

Taxing District	*CY 2023 Projected*
District 15	$ 1,054,800
District 211	851,700
Village of Palatine	364,200
Palatine Park District	191,400
County (Incl. Forest Pres)	162,600
Harper	123,900
Palatine Library	80,400
Township	41,700
Other Agencies	129,300
Total	**$ 3,000,000**

Approximate TIF Surplus Total Payout CY 2010 – 2023	
Taxing District	**Approximate Amount**
District 15	$ 11,861,670
District 211	9,607,023
Village of Palatine	4,060,069
Palatine Park District	2,168,906
Harper	1,391,848
Palatine Library	897,934
Total	**$ 29,987,450**

Approximately $29,987,450 Reinvested in Community from 2010 - 2023

VILLAGE OF PALATINE Est. 1866

CY 2023 PROPOSED BUDGET

NON-OPERATING EXPENSES

DEBT SERVICE

VILLAGE OF PALATINE Est. 1866

Expenditure Overview: Debt Service

Expenditures	*2022 Adopted Budget*	*2023 Proposed Budget*	*% Change*
G.O. Bonds			
Property Taxes		$1,765,581	
TIF Revenues		$1,593,180	
Water & Sewer Fees		$900,100	
Total G.O. Bonds	$8,204,776	$4,258,861	-48.09%
TIF Revenue Notes	$1,056,060	$ 15,000	-98.58%
Total Debt Service	**$9,260,836**	**$4,273,861**	**-53.85%**

VILLAGE OF PALATINE
Est. 1866

Debt Service Summary

Bond Ratings

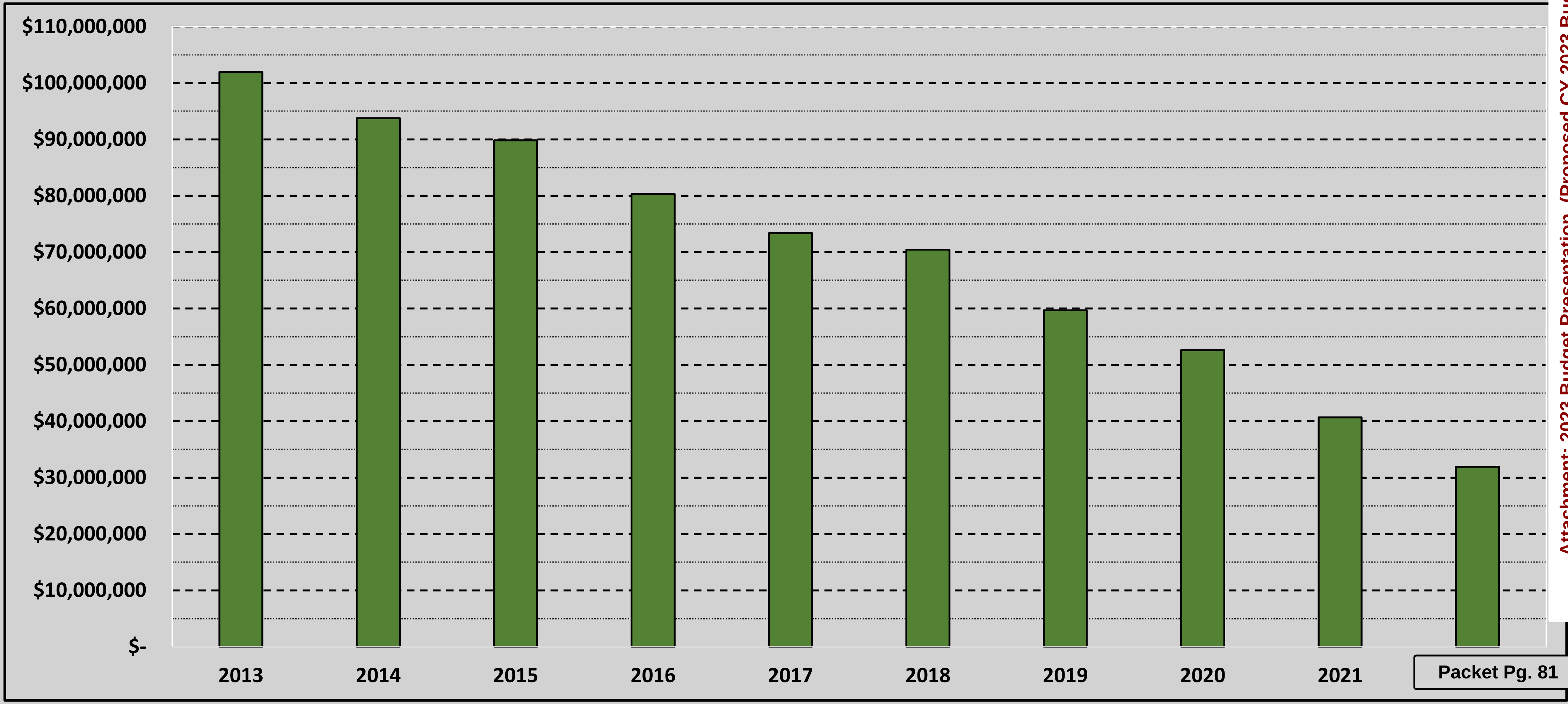
Moody's: Aa2 and Standard & Poor's: AA+

Total Outstanding Debt (Principal Due: 12/31/2022)

Source of Payment	Outstanding Principal	*% of Total Debt*
Property Tax	$24,280,000	76.09%
TIF Districts	$5,155,000	16.15%
Water & Sewer Fees	$2,475,000	7.76%
Total Debt Service	**$31,910,000**	**100.00%**

VILLAGE OF PALATINE Est. 1866

Outstanding General Obligation Bonds Last 10 Years



VILLAGE OF PALATINE Est. 1866

Budget Review Schedule & Related Information

Remaining Schedule:

- **Budget follow-up meetings as necessary:**
  - **Monday, November 14**
- **Public Hearing:**
  - **Monday, November 21**
- **Adoption of Budget and Tax Levy:**
  - **Monday, December 5**

Budget Documents Available at:

- **Village Clerk's Office**
- **www.palatine.il.us**