VILLAGE OF PALATINE

VILLAGE HALL - COUNCIL CHAMBERS
200 E. WOOD STREET
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http://www.palatine.il.us

SPECIAL MEETING OF THE

BUSINESS FINANCE & BUDGET COMMITTEE

AGENDA

NOVEMBER 2, 2019

8:30 AM

I. ROLL CALL

II. AGENDA ITEM

A. Consider a Discussion of the CY 2020 Proposed Budget & Capital Investment Plan

III. ADJOURNMENT

Consider a Discussion of the CY 2020 Proposed Budget & Capital Investment Plan

BACKGROUND:

Staff is pleased to begin public discussion and review of the CY 2020 Proposed Budget & Capital Investment Plan.

KEY ISSUES:

The CY 2020 Proposed Annual Budget and Capital Investment Plan totals $123,157,514. Of this total, $77,783,063 represents the Operations Budget and the remaining $45,374,451 represents our Capital Budget, TIF Districts, Debt Service, Transfers, Casualty/Liability/Health and other insurance Programs, and Pension Administration requirements. In total, this represents an increase of 2.41% over the CY 2019 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 & Budget Committee has follow-up discussions scheduled on November 4 and, if necessary, on November 12. The required Public Hearing is scheduled for November 18, with the final budget adoption on December 2.

Today's proposed schedule is as follows:

General Overview:
- Revenue

Operating Department Review:
- Public Works
- Fire
- Police
- Community Services
- Planning & Zoning
- Information Technology
- Finance and Operations
- Village Manager's Office
- Human Resources
- Village Clerk
- Mayor and Council
- Legal
- Boards & Commissions

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:

- Proposed 2020 Budget Message
- Proposed 2020 Budget Overview

PALATINE VILLAGE OF

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October 2019

Honorable Mayor and Village Council:

On behalf of the Village of Palatine, it is my privilege to present the Proposed 2020 Annual Budget and Capital Investment Plan for the Village of Palatine.

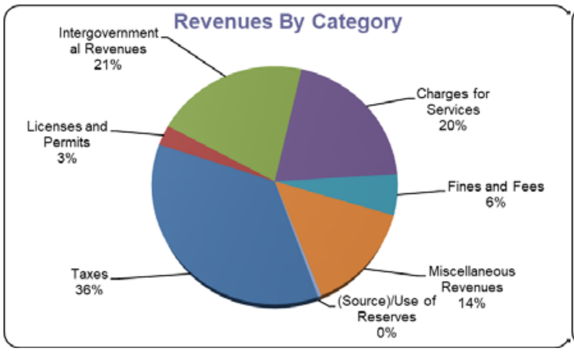
While we continue to face fiscal pressures, there has been some stability coming out of the State of Illinois. Previous raids of dollars that were earmarked for municipalities have stopped. While money was never restored, there were no additional threats against local dollars during the past year. For the first time in nearly a decade, the elected officials in Springfield seem willing to at least have a dialogue on the pension relief sought by all units of local government. The State also has directed a portion of their new motor fuel tax rate to local government to help fund much needed infrastructure improvements. With a slightly more stable relationship with the State of Illinois, and strong fiscal restraint within the Village, I am pleased to present to the Village Council a balanced and responsible budget that delivers on all of our core services. Our budget continues to be aligned with the Village of Palatine's mission:

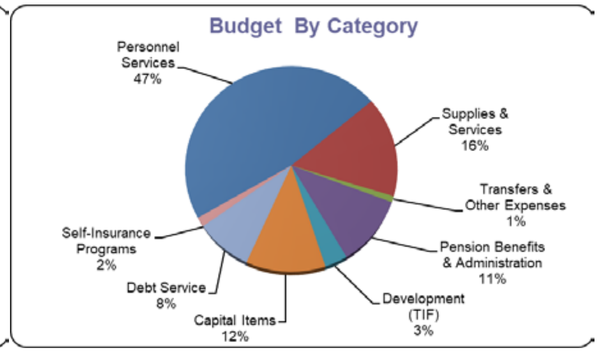
> ***"To be a financially sound, responsive and responsible Village government recognized for excellence in municipal services delivered by a workforce dedicated to the Palatine community***."

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

The 2020 Proposed Budget and Capital Investment Plan totals \$123,157,514. \$77,783,063 represents the Operations Budget and the remaining \$45,374,451 represents our Capital Budget, TIF Districts, Debt Service, Transfers, Casualty/Liability/Health and other insurance Programs, and Pension Administration requirements. This is a 2.41% increase over the 2019 Budget.

The development of a budget is a balance between existing resources (revenues) and demand for those resources (expenditures). Staff has worked hard over the year to achieve a balance between these resources.





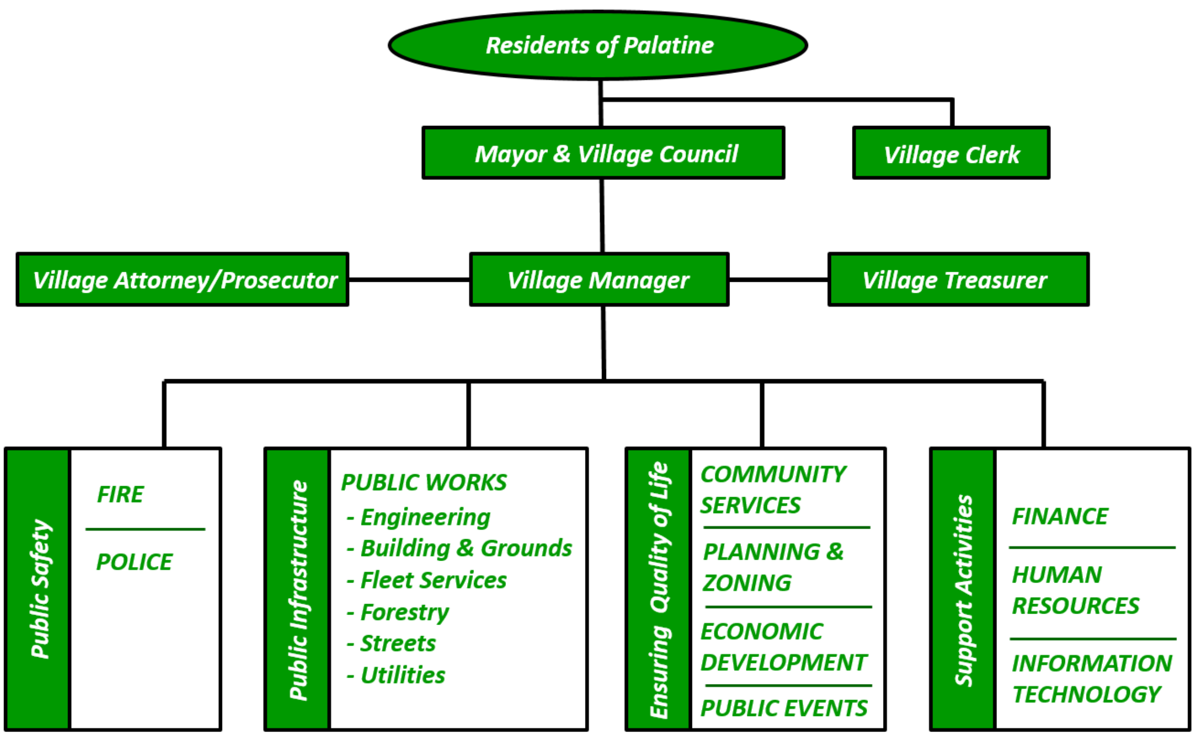
	2019 Adopted Budget	2020 Proposed Budget	2020 % of Total
Personnel Services	$ 54,167,515	$ 58,279,265	47.3%
Supplies	2,296,990	2,396,625	2.0%
Services & Charges	17,362,323	17,079,673	13.9%
Other Expenses	27,500	27,500	0.0%
Sub-Total Operations	**73,854,328**	**77,783,063**	**63.2%**
Transfers Out	699,500	1,150,000	0.9%
Pension Benefits & Administration	12,395,500	13,349,500	10.8%
Development (TIF)	2,385,860	4,153,728	3.4%
Capital Items	9,961,758	14,447,318	11.7%
Debt Service	11,483,665	10,426,105	8.5%
Self-Insurance Programs	9,475,185	1,847,800	1.5%
All Expenditures Total	**$ 120,255,796**	**$ 123,157,514**	

The Proposed Budget continues to reflect the Village Council's vision and commitment to invest in our public safety, the development and maintenance of our infrastructure, and ensuring a strong quality of life for our residents. The Budget continues the commitment of the Village Council made in 2018 to fully fund our public pension plans. The Council approved a policy to address the unfunded liability of the Police and Fire Pensions which is reflected in this budget in part through a 1% increase in the property tax levy dedicated to the pensions, a planned use of previous years' surplus, and appropriation of savings from bond refinancing. Additionally, consistent with the Village Council direction, the new assessed value from a retiring Tax Increment Financing District will be captured and used to provide supplemental funding to our public safety pensions.

While the past several years have seen status quo budgets with little in the way of new programs or services, the Proposed Budget not only meets all of our statutory requirements and contractual obligations, but takes a significant step forward in the reinvestment in our infrastructure as well as a program expansion to help maintain strong neighborhoods.

Our organization is structured to deliver on these commitments. The following chart reflects our organizational structure.

VILLAGE OF PALATINE - ORGANIZATIONAL CHART



Financial Outlook

As an organization, Palatine has done everything it can to provide a stable future. We continually adjusted our expenditures to align with available revenues. Unfortunately, there are many forces beyond our control that heavily influence our revenues and expenditures.

The overall economy continues to move forward, and we remain cautiously optimistic that we will see ongoing growth in sales taxes and other revenues critical to our operation and sustainability.

Budget Policies and Parameters

As it has been over the past several years, the uncertainty created by the fiscal affairs of the State and the rapidly increasing public safety pension costs make it necessary to focus on trying to maintain our current services rather than looking at any expansion of services. Every effort is made 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.

Operating budget guidelines were established by the Village Manager as part of the budget development process. These guidelines, as they have been for many years, were as follows:

- All budgets would be predicated upon providing our core services. Any new initiatives should drive efficiency improvements, cost savings, or further the implementation of the Strategic Plan.
- All non-personnel operating expenditures, including commodities and contractual services, were to be funded at 2019 levels. No increase would be available for the third consecutive year due to other pressures on our revenues and demands for the dollars to meet statutory obligations (pensions). All Departments would need to reallocate funds between accounts to meet any increased funding needs.
- 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.

Revenues

Our annual budget process commences with a detailed review of our existing revenue sources. 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. This practice was again followed this year for our existing revenue sources.

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

- **Property Tax –** Our track record in reducing and stabilizing property taxes has been nothing short of outstanding. The Village went six years (2012-2017) with a constant or reducing property tax levy. In both 2018 and 2019, the Village raised their property tax levy solely to fund increasing public safety pension obligations. Last year the increase was an increase of $225,000 or 1%. That increase was part of the 10-year plan approved by the Council to provide additional payments towards the pension liabilities while providing for a stable tax levy and capturing the growth from successful economic activities (TIF) upon the expiration of TIF Districts over the next decade.

  For 2020, the total property tax levy increase is proposed to be 2.75%. This is consistent with the direction provided by the Village Council as part of our pension discussions. 100% of this increase will go toward supplemental public safety pension funding. $227,673 (1%) represents the 10-year planned for increase pensions. The remaining 1.75% ($398,428) exclusively represents the increased assessments coming out of the retiring TIF District. Those funds originally would have been available for service enhancements or property tax relief. Two years ago, as part of the pension funding strategy, the Council committed to taking the levy from the TIF and applying it to the pensions upon TIF expiration.

Again, if it weren't for the lack of pension reform in Springfield, our property tax levy would again be constant or decreasing.

- **Sales Tax –** Total sales tax receipts are projected to increase by 6.5% in 2020. While this $816,000 increase in receipts sounds really good, it is generated in large part through the anticipated opening of the new Napleton Mazda and Subaru. Outside of these new businesses and the full year sales from Studio 41, sales tax receipts are generally flat. This is a trend being seen throughout the suburbs and around the country as more sales are being done online through internet-based retailers.

  Staff continues to put forth significant effort to not only work with our existing business community to retain businesses that have already invested in Palatine, but to also market our community and vacant sites to both end users as well as the commercial brokers. Expansion of our retail base is critical if we are to continue to provide property tax relief to our residents. The opening of the new car dealerships will help further promote the Rand/Dundee corridor to other potential new users.

- **State Use Tax –** This is a per capita revenue from the State of Illinois. A portion of these funds represent sales taxes on out of state or on-line purchases that are remitted to the State and then distributed on a per capita basis. We expect to see a 10% increase next year in this source from $2,037,700 to $2,246,200. This is due primarily to increasing online sales tax collections. Thus, some of our stagnation in "bricks and mortar" sales tax receipts is made up for here.

- **State Income Tax –** Based upon information provided by the State to the Illinois Municipal League, our projected receipts for 2020 are $7,272,000. This represents an increase of $765,000 over the 2019 Budget. This revenue source tends to be very dynamic with large increases and decreases from year to year that can't be always be explained by the State. The recent federal tax changes which limit deductions are believed to be having an impact on these receipts.

- **Building Permit/Inspection/Review Fees –** While 2020 reflects a 2.9% increase in the building permit fees, the performance remains very strong. This past year saw the issuance of a permit for the Napleton dealerships. Despite the large one-time permit, we still feel comfortable growing our numbers on top of that. In 2020 we anticipate receiving $1,620,5000 in permit and inspection related revenues.

- **Hotel Motel Tax –** Unfortunately, during 2019 the Holiday Inn Express closed for business. They accounted for approximately two-thirds of our hotel tax receipts. With their closing, we anticipate receipts of $65,000 which is down from $171,400 in the 2019 budget.

- **Vehicle Sticker Fees –** Based upon our enhanced enforcement plan and planned letters to those without vehicle stickers, we hope to see an additional $100,000 in revenues. There are some off-setting costs with postage and enforcement which we hope are non-reoccurring.

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. In consideration of the property tax increase, staff is recommending foregoing the approximate 1% increase applied across the board. Instead, we will make adjustments to several specific fees or fines as part of the Fee Schedule adoption.

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. One primary measure of a city's financial strength is the size and relationship of the General Fund's unrestricted fund balance to the Operating Budget. The Annual Budget continues to recognize the need to maintain these sound practices. The Budget anticipates 2019 will mark the 16th 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 2020 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.

As previously discussed, as part of our efforts to counteract the public safety pension cost increases, the Proposed 2020 Budget includes an appropriation of reserves. Specifically, a plan has been developed to appropriate $180,000 per year over five years to smooth the pension cost increases. This total of $900,000 was specifically earmarked out of the 2017 surplus and 2020 will mark the third year of the five year draw down.

The General Fund Total Reserves are projected to be approximately $21.7 million, which falls within the 3 to 4 month policy range. This does include the $1.6 million Economic Stabilization Reserve and $360,000 Pension Smoothing Reserve.

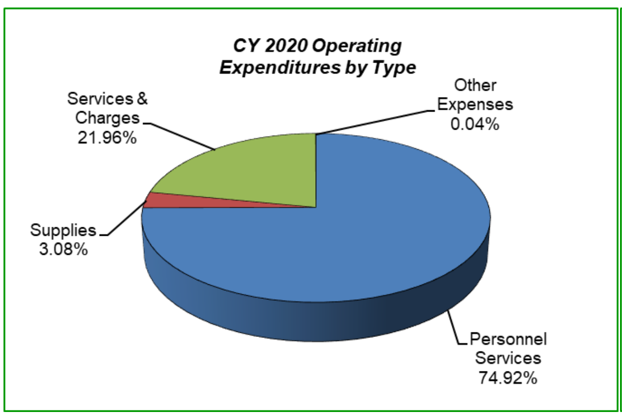
In the case of capital related reserves, these funds are considered sinking funds. It would not be fiscally prudent or responsible to fund current capital expenditures with current dollars nor to issue bonds for all capital purchases. In this case, these reserves can be likened to a savings account to 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 beyond our fund balance targets.

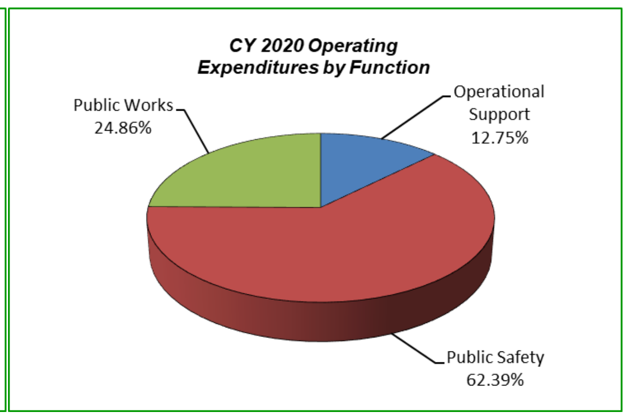
Annual Operating Budget

The entire Village organization is committed to delivering on our core services in the most cost effective and efficient manner. The operating budget demonstrates a real commitment to efficiency and living within our means.

Our operating expenditures are summarized as follows:

Expenditures by Category	Adopted 2019	Proposed 2020	% Change
Personnel	$54,167,515	$58,279,265	7.59%
Supplies	2,296,990	2,396,625	4.34%
Services & Charges/Other	17,389,823	17,107,173	-1.63%
Total Operations	**$73,854,328**	**$77,783,063**	**5.32%**





Municipal government is a service business. Our job is to protect the public safety, maintain the infrastructure, and ensure a high quality of life. To accomplish this task, it takes a committed work force. 303 of our 333 employees (91%) work directly in our field services (Police, Fire, Public Works, Planning and Community Services).

Personnel costs represent 75% of our operating expenses. As such it is paramount that we focus on controlling our personnel costs at all times and balancing any increase or decrease in positions with the needs of the residents. Since the economic collapse a decade ago, there has been a continuous focus on how we conduct business and the application of technology and 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.

2020 will mark the first increase in personnel counts in over a decade with two new positions in Public Works and one proposed in Community Services.

PERSONNEL CHANGES OVER PAST DECADE

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, 2019	330	63
January 1, 2020	333	63

Even with the increase of three positions (discussed later) our staffing level remains below our staffing levels in 1999 – more than 20 years ago and with a much smaller population and geographic area to serve.

Departmental Budgets and New Initiatives

After many years of generally maintaining a status quo operating budget, there are several notable changes in 2020 in an effort to meet resident/community demand and ensure Palatine remains a safe place to live. Some of the program and personnel changes for CY 2020 include:

- ***Personnel Changes –*** The budget has been developed reflecting a mid-year 2019 decision to add one maintenance worker within the Public Works utility division as well as a Superintendent to help coordinate the field activities within Public Works. An independent study identified the need for enhanced proactive maintenance within utilities and suggested several new positions may be required. Through the creation of the Superintendent position, we hope to achieve greater cross training between divisions and avoid the need for additional positions.

  Additionally, in 2019 the Village embarked on a pilot project related to pro-active property maintenance. This was done through reallocating personnel and focusing on a small section of the Village. The program has demonstrated its value in addressing many of the quality of life concerns raised by our residents. The CY 2020 Budget includes funds to add one Code Compliance Officer that will focus exclusively on pro-active property and Code compliance throughout the Village. Additionally, and at no increased cost in the budget, this position will coordinate with Police to address many night and weekend violations in our neighborhoods.

  Since last year, several positions have taken on additional or expanded responsibilities in an effort to meet customer demands and avoid additional staffing needs. As such, there will be several reclassifications that take place with the adoption of the budget and during the upcoming year. All funds are included within the Proposed Budget.

  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 anywhere in suburban Chicago. Staffing levels remain as low as possible while still being able to deliver on our core services.

- ***Road Maintenance –*** As part of our increased focus on the complete road program, the milling and paving process is an operating budget expense. It is increasing by $100,000 in 2020. This will result in three full cycles of milling and paving, and we will do more "edge of pavement to edge of pavement" which cuts down on the patchwork look. This increase accounts for 100% of the supplies and material increase in the operating budget.

- ***Software Maintenance –*** 2020 will mark a full year of maintenance costs on both our Building Permit/Licensing software as well as our new Administration Adjudication/Citation software. The total cost increase for these two systems is

$96,300. Of that amount, $56,300 is for the adjudication/citation software. The adoption of the fee schedule in December will include an adjustment to fines to offset this cost increase.

- ***Tree Trimming –*** As part of our ongoing commitment to expanding our tree trimming program that fell victim to many cuts over the past decade, we have been able to drive savings in other programs thus allowing $20,000 to be reallocated to contractual tree trimming. Part of the savings came in our contractual mowing program that we successfully bid in partnership with the Palatine Park District. This increase will result in the Village being back on a six-year tree trimming cycle. We had slipped to an eight to nine-year cycle following the cuts in 2009 and 2010.

- ***Police Walking Beats –*** The Proposed 2020 Budget includes dollars for the northeast and downtown walking beats. In years past, these dollars were appropriated out of fund balance. This year, it was fit within the baseline budget.

- ***Printed Newsletters –*** The Village spends approximately $15,000 on each printed newsletter that is mailed out to the residents. Several years ago, the Village reduced print newsletters from four times per year to three times and then subsequently to twice per year. This was done at the same time we expanded our use of the website and the weekly E-news service. As we see increasing numbers of people turning to our website, subscribing to our E-news, and using our social media platforms, we see another opportunity to increase our communications with residents and lower our costs at the same time. The 2020 Budget would reduce our print newsletter to once per year and add two electronic newsletters. The print version would be sent out late summer of each year prior to the leaf collection program starting. The digital newsletters would go in the first quarter of the year as well as late Spring/early Summer. The digital newsletters would look just like the print letter, but would save us the $15,000 to print and mail the document. We will have more communication with our residents and save money.

- ***Vehicle Stickers –*** With the decision to pursue aggressive enforcement of the vehicle sticker program and re-evaluate after several years, the revenues, as previously discussed have been projected to increase. Likewise, we have increased the cost of mailings by $10,000 to cover the letters to homeowners that have a titled vehicle, but no vehicle sticker.

- ***Banking Fees* –** The utilization of credit cards has continued to increase as a popular payment method for our customers. Unfortunately, with the increased usage is an increase in the fees incurred by the Village. In 2020 we are projecting a total of $179,700 in fees. The fees come through utility bills, commuter parking and general permit fees and fines. The growth over the past several years is significant.

	General Fund		Water Fund		Parking Fund	
	In Person	**Online**	**In Person**	**Online**	**Online**	**Total**
2017 Actual	$18,135	$8,460	$18,735	$41,400	$18,935	**$105,705**
2018 Actual	$16,050	$9,520	$16,050	$57,730	$21,870	**$121,130**
2019 Projected	$20,880	$10,055	$20,880	$66,940	$22,415	**$141,170**
2020 Budget	$22,655	$32,535	$25,230	$75,270	$24,000	**$179,700**

During the upcoming calendar year, Staff will review these increases in more detail and look at any necessary adjustments in the fee structure to help offset these increasing costs. This will be reported back to the Council as part of our mid-year budget discussion.

Pensions

Our pension contribution obligations have been a driving factor in the development of our budget for at least the past decade. 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. The Village of Palatine has no control over these benefits. Palatine, like many other communities, cannot sustain the system put in place by our legislators. Two years ago, given the lack of movement from Springfield, the Village approved a plan to provide supplemental funding to the public safety pension plans. For the past two years, a 1% increase in the property tax levy has been included in the budget and pledged to the pensions. This coming year will represent the first year following the retirement of the Dundee Road TIF District. Pursuant to the plan, the property tax levy will be adjusted to capture the value of the assessed valuation ($398,400) and those funds will go directly to the pension plans.

The 2020 Budget includes $11,104,870 to meet the statutory obligations we face for all our pension systems. This represents an increase of $923,050 over last year. Unfortunately, last year was a weak year for equity markets coupled with interest rate assumption changes by IMRF. Again, with a total property tax increase of $626,101, we are absorbing the remaining $296,949 within our budget.

The supplemental funding, in addition to the above referenced increase, will include the third year of the draw down on the 2017 surplus ($180,000) and savings from early retirement of a bond ($1,148,000).

This supplemental funding is part of a ten-year plan which will put more than $9.1 million towards the unfunded liabilities. Specifically, for 2019, the following supplemental amounts will be applied:

Funding Source	Supplemental Amount
2017 Surplus	$180,000
Bond Refinance Savings	$1,148,000
TIF Growth Recapture	$398,400

It is very unfortunate that the Village has needed to make these supplemental contributions. These are dollars that otherwise would go towards a combination of property tax relief and enhanced service deliveries. At the time of this writing, the State's pension task force is finalizing a report and we are hopeful for some level of reform starting next year.

Insurance

The Budget continues to fund the Village's self-insurance programs for our liability insurance and health 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) have led to a real tightening of the property insurance markets. As such, despite our performance, we are anticipating an increase of 4% in this line of coverage.

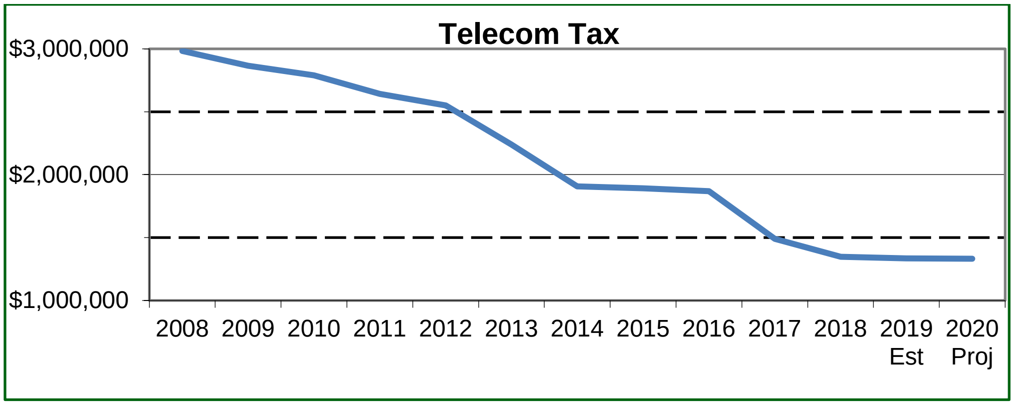
2020 will be a year of transition for our health insurance plan. As discussed last year, the Village undertook a comprehensive review of our plan and plan options during the past year. The outcome of the review and marketing of our plan led to the Village Council accepting the staff recommendation to join the Intergovernmental Personnel Benefits Cooperative (IPBC) beginning in 2020. When compared to the alternatives, this change is anticipated to save the Village approximately $150,000 in 2020 and almost $400,000 in 2021. This savings still provides employees with the same PPO network and an enhanced wellness focus.

Annual Capital Investment Plan

Four years ago, the Village Council established new permanent revenues to fund our capital improvement and equipment needs through an adjustment in the utility tax on electricity and a planned use of our sinking fund reserves. The remaining component of our capital investment plan was our road program. In conjunction with our 2019 mid-year financial review, the Village Council endorsed a strategy to stabilize our road program through the utilization of the increased state MFT revenues as well as savings from the new refuse contract. Our 2020 Capital Investment Plan is balanced and provides the necessary investment in our utilities, streets, equipment, and facilities. This annual investment is necessary for Palatine to remain a strong and safe community.

One of the primary funding sources for our capital equipment and improvements continues to be the Telecommunications Tax, comprising 37% of the revenues. As discussed over the years, this revenue source had experienced nearly a decade of decline reflecting society's move to a more mobile environment. For the past two years, the revenue has somewhat leveled off. In 2020, we are projecting a decrease of just $2,630. While this sounds good compared to past history, our capital costs rise by approximately 3% per year so there may be a need to discuss a more permanent revenue source within the next several years.

The following illustrates the actual receipts of this revenue source since our peak in 2008:



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, have allowed us to maintain our capital investment.

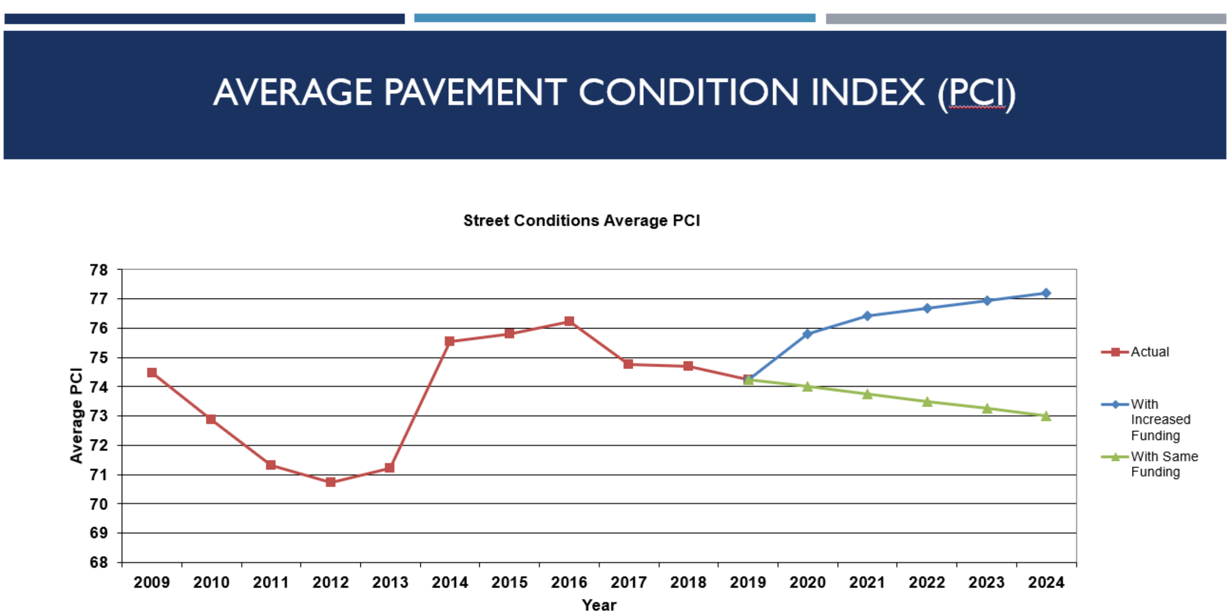
Our commitment to identify grant monies has been successful with the award of nearly $3.92 million in federal funding for the complete resurfacing and other associated improvements for Plum Grove Road, Colfax Street, and Smith Street over the past three years. These grant dollars free up money to be utilized for other local roads. Grants have been secured for bicycle trail implementation and most recently, Senator Gillespie has secured $350,000 for drainage improvements. Staff continues to look for grant opportunities for all capital projects.

The following sections highlight the Capital Investment Plan for 2020.

Street Maintenance Programs

For the past four years, Staff has raised concerns over the stagnant and even declining motor fuel tax (MFT) dollars that are used to fund a large component of our annual road maintenance program. This is at the same time that historic costs of resurfacing and repairing streets has been rising by 3.5% per year.

On an annual basis, streets are physically evaluated/inspected and assigned a numeric rating (1 to 100) utilizing a computer model. All streets are evaluated at least every two years. A street rated 100 represents a new street. When streets fall below 60 they generally begin to enter the 5-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 following graph illustrates the current average Pavement Condition Index (PCI) for the Village.



Without some funding intervention, the average condition of our streets will start a continuous decline. As previously mentioned, we fortunately have a new allocation coming from the State as they made adjustments to their MFT tax rate. The additional allocation from the State, coupled with an appropriation from the refuse contract savings, will put the Village back on strong ground for our road maintenance program and allow us to more proactively address our collector streets.

The goals endorsed by the Village Council this past September are as follows:

- Eliminate all resurfacing backlog (Streets below a 50 PCI)
- Establish a system wide average PCI of 75-80
- Increase resurfacing from 5 miles per year 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

With these new goals, the 2020 Budget includes funds for the following resurfacing program:

2020 PROPOSED STREET RESURFACING PROGRAM

Street	From	To
Amherst Street	Hicks	Ashland
Aster Lane	Capri	Dead End
Bissell Drive	Baldwin	Boynton
Boynton Drive	Baldwin	Babcock
Brockway Street	NW Highway	Colfax
Capri Drive	Gardenia	Lily
Cypress Court	Del Mar	Cul-de-Sac
Del Mar Drive	Pepper Tree	Garden
Franklin Avenue	Alva	Colfax
Grissom Drive	Cooper	Williams
Haddington Court	Peebles	Cul-de-Sac
Holly Way	Aster	Capri
Hunting Drive	Mallard	Middleton
Ivy Place	Gardenia	Aster
Maple Avenue	Poplar	Myrtle
Parkwood Court	Parkplace	Cul-de-Sac
Patricia Court	Patricia	Cul-de-Sac
Patricia Lane	Joyce	Kenilworth
Peebles Road	Borders	Spring Willow
Pepper Tree Drive	Garden	Thackeray
Plate Drive	Robinson	Williams
Raven Lane	Hunting	Cul-de-Sac
Reading Court	Brockway	Cul-de-Sac
Reynolds Drive	Winston	Anderson
Sayles Drive	Clark	Plate
Topanga Drive	Mill Valley	Monterey
Walden Drive	NW Highway	Deer Run
Williams Drive	Cooper	Carpenter

Resurfacing may be the highest profile activity in our comprehensive road program, but it is just one activity in a much larger effort. 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.
- ***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. This expense is funded through our operations budget. In 2020, this program is expanding by $100,000.
- ***Surface Rejuvenation/Micro-Surfacing**:* This maintenance effort provides a new sealed driving surface to the roads that will generally provide an additional 6 to 8 years of life to the roadway prior to the need to fully resurface. $75,000 is budgeted for this program.
- ***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. In some cases, this program traditionally includes widening, curb and gutter, sidewalk, base patching, and installation of storm sewer to bring neighborhood collectors to Village standards. In 2020 the Village will be undertaking two different projects. First will be the rehabilitation and resurfacing of Rohlwing Road from Palatine Road to Cunningham. The segment from Palatine Road to Northwest Highway is slated for 2021. Additionally, Mallard Drive from Middleton to Illinois, will be part of the reconstruction program in 2020. These two projects combined will be an estimated $1.75 million.

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:

- ***Sidewalk Replacement/Hazardous/Extension Program ($1,065,000) –*** Following a significant increase in sidewalk funding in 2019, the 2020 Budget continues with the increased investment with $1,065,000 budgeted for sidewalks throughout the Village. Of this amount, $615,048 is our regular hazardous sidewalk replacement program. An additional $200,000 is programmed for the Downtown TIF District area and $250,000 for sidewalk installation on Rand Road, north of Hicks, and Lake Cook Road. The funding for sidewalks was scaled back during the lean years from 2009-2014. With this increased investment, 2020 will mark the completion of our second full pass through the Village since implementing a systematic sidewalk replacement program. This includes a systematic replacement of sidewalks throughout the Village that have vertical displacements of 7/8 of an inch or greater, horizontal displacement greater than 1/2 inch, and settlement that has resulted in back pitch of more than 5%.

- ***Replacement of Equipment and Vehicles ($1,532,035) –*** The Budget continues with implementation of the Vehicle Equipment and Optimization Plan. Included in the 2020 budget are the following equipment and vehicle replacements:

  - ***Fire Engine (Replacing Fire Quint)***
  - ***5 Administrative/Field Vehicles***
  - ***Asphalt Paver (larger size for in-house resurfacing)***
  - ***Street Sweeper***
  - ***Truck and Vehicle Lifts***
  - ***7 Police Vehicles (6 four-wheel drive hybrids)***

The ongoing switch to hybrid squad cars will continue to deliver long-term savings in the budget. We anticipate saving $11,500 on each vehicle over the life of the squad in our fleet.

All our replaced equipment will either move to a reserve status or be sold at public auction. There is no expansion in the fleet because of these acquisitions.

- ***Bike Plan Implementation ($210,000) –*** One of the remaining components of the implementation of the Bike Plan is the connection of the bikeway system to the Forest Preserve. The County has agreed to funding $115,000 of this request.

Water and Sewer Funds

The 2020 Capital Investment Plan continues to invest in storm water management, sanitary sewers, and our water system. $4,770,350 million in improvements are proposed for the water and sewer systems. Highlights of these improvements include:

- ***Storm and Sanitary Sewer Sliplining Program ($210,000) –*** This is a proactive program to help seal our sewer systems.

- ***Private and Isolated Public Drainage Improvements ($100,000) –*** This will offer assistance to residents with isolated water management areas as well as the conversion to overhead plumbing. Additionally, this funding source will aid in some minor drainage corrections in conjunction with larger road projects.

- ***Storm Sewer and Draintile Replacement/Extension ($200,000) –*** The project focus for this program is fine-tuned each year. The identified locations are in the detailed budget sheets.

- ***Sub-Watershed Analysis ($200,000) –*** Funds are included in the budget to pursue a more detailed engineering option to benefit the Smith/Colfax area as well as benefit to properties and neighborhoods downstream of the Reimer Reservoir.

- ***Water Main Replacement/Extensions/Looping ($2,900,000) –*** This infrastructure improvement is proposed to increase by 79% (or $1.1 million) as the Village aggressively moves forward with more watermain replacements.

- ***Water System Interconnect ($100,000) –*** Funds are included to construct a water interconnect with the Village of Hoffman Estates. The interconnect would take place in or near the Little City facility off Algonquin Road. Similar to the interconnect done several years ago with Rolling Meadows, this is a significant step in increasing redundancy within our water system.

- ***Water System Study ($300,000) –*** We have recently completed the implementation of our last water system study conducted just over 10 years ago. As we continue to reinvest in our infrastructure to ensure its safety, an updated study needs to be completed to guide our next decade of investment.

Unfortunately, with water consumption decreasing, yet the costs of maintaining the system increasing, rates will tend to rise by a higher percentage as many of our costs are fixed regardless of usage. Further, the cost associated with replacing aging pipes is rising each year. Based upon a comprehensive review of our long-range projects and the financial stability of the Northwest Water Commission which supplies our water, staff is recommending a 3.41% rate increase bringing our rate per 1,000 gallons to $4.55 for our residents. Palatine will continue to have one of the cheapest water rates in Illinois.

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.

2020 will be our first year with the original Dundee Road TIF District having been retired. The increment generated over the years of development will now help us manage our pension contributions. The vision of the Council 23 years ago to establish the TIF District, and the efforts of elected officials and appointed staff since that time to manage the TIF

District, has helped provide the financial stability we experience today. This original TIF District was responsible for generating $1,910,480 in sales tax dollars and $77,825 in food and beverage tax receipts in 2018 alone. This is in addition to the property taxes generated from this area.

The Rand and Lake Cook TIF Districts are strengthening with recent projects such as the construction of the new Mazda and Subaru dealerships.

The Downtown TIF District will be a focus this coming year. There is more than $2 million in the budget for infrastructure investment in downtown. Notable projects include the reconstruction of Brockway Street, watermain replacements, parking deck joint repairs/sealing and resurfacing of the parking lots adjacent to the train station.

Refuse Fund

This past year, the Village renegotiated a contract for refuse services. The new contract has very favorable terms for the Village and has led to a 5% rate reduction in our refuse rates for single-family and townhome customers. Homes will be paying $19 per month, a reduction from the previous $20 per month. This follows 11 years of constant rates. Based upon our projections, the Village should realize this reduced rate for the next five years. In addition to reducing our costs, we have been able to expand our services to include a refuse cart for all single-family homes as well as curbside electronic recycling services.

Debt Service

The Village has an AA+ bond rating from Standard & Poor's and was just reaffirmed as a Aa2 rated community from Moody's. These strong ratings help drive lower interest rates for any borrowing done by the Village.

The annual budget includes an appropriation of $9,231,400 for the annual principal and interest on the Village's outstanding debt. Only a small portion of this payment comes through the property tax levy. There are four other sources of this debt payment listed in the chart below.

Other Sources of Debt 2020

Source of Payment	Principal & Interest	Percent of Debt
TIF Revenues	$4,855,340	52.60%
Water & Sewer Revenues	1,949,365	21.12%
Build America Bonds	349,680	3.79%
Special Service Area Revenues	583,125	6.32%
Total	**$7,737,510**	**83.82%**

These other sources reduce the property tax burden on our stakeholders by a total of $7,737,510. More than 83% of our 2020 debt will be paid through sources other than Village-wide property taxes. This is up from just 75% last year due to the early retirement of debt in 2019.

Understanding our total outstanding debt is also important as we assess the long-term financial stability of the Village. At the end of 2019, the Village will have $59,675,000 in outstanding principal on our bonds. Many 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, 2019)

Source of Payment	Outstanding Principal	Percent of Total Debt
Property Tax	$26,155,000	43.83%
TIF Districts	18,850,000	31.29%
Water & Sewer Fees	9,305,000	15.60%
Special Service Area	5,365,000	8.98%
Total	**$59,675,000**	**100.00%**

In 2019, the Village reduced its outstanding General Obligation debt burden by an additional $3,000,000 by calling for early redemption the outstanding principal of the

2011A bond issue (four years early) to reduce the outstanding principal by a total of $3,000,000 and provide for interest savings of $200,000. These early redemptions were funded by surplus reserves accumulated over the past several years through the strong stewardship of dollars.

The Future

A great deal of effort has been put forth this past year to help position Palatine for continued success. The refuse contract renegotiation will help fund our streets program. The health insurance change will provide stability for our employees as well as free up money to help offset other personnel costs that are escalating. The efforts to bring Studio 41 and the Napleton Auto Group to fruition will pay dividends well into the future.

We continue to realign responsibilities and deliver on our core services. Our expansion in Public Works staffing and a pro-active focus on our neighborhoods will serve to secure quality of life issues within the Village.

The employees, along with our private sector partners, and the Village Council remain committed to working together to deliver the most efficient and responsive local government services. There remain great 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.

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 daily.

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

Respectfully submitted,

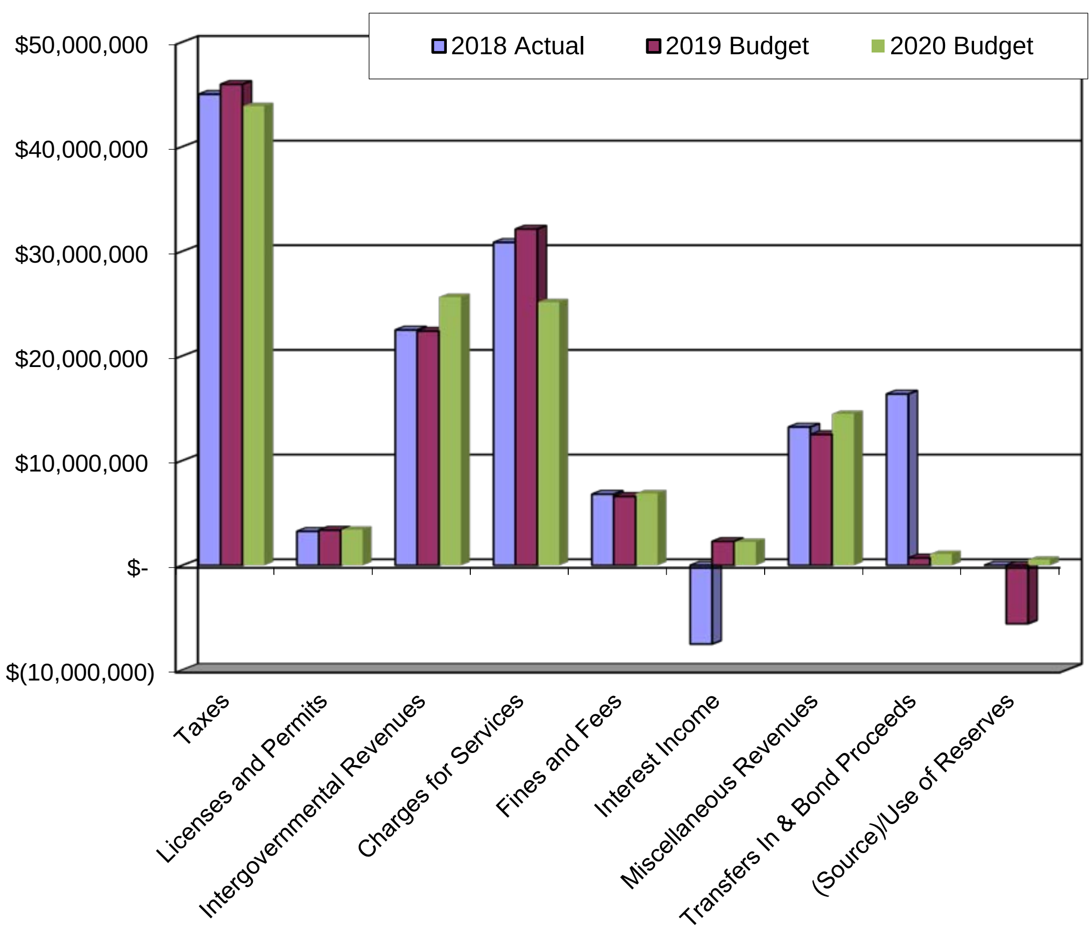
Reid T. Ottesen

Reid T. Ottesen
Village Manager

Village of Palatine
CY 2020 Proposed Budget - Budget Overview

All Funds Revenues

	2018 Actual	2019 Adopted Budget	2020 Proposed Annual Budget	% Change
Taxes	$ 45,010,242	$ 45,957,392	$ 43,865,834	-4.55%
Licenses and Permits	3,241,189	3,355,200	3,397,500	1.26%
Intergovernmental Revenues	22,474,161	22,364,171	25,619,066	14.55%
Charges for Services	30,844,764	32,119,014	25,124,444	-21.78%
Fines and Fees	6,790,698	6,575,200	6,858,840	4.31%
Interest Income	(7,523,287)	2,278,055	2,229,715	-2.12%
Miscellaneous Revenues	13,205,676	12,488,030	14,456,035	15.76%
Transfers In & Bond Proceeds	16,357,792	699,500	1,075,000	53.68%
(Source)/Use of Reserves	-	(5,580,766)	531,080	-109.52%
All Revenues Total	**$ 130,401,235**	**$ 120,255,796**	**$ 123,157,514**	**2.41%**



Attachment: Proposed 2020 Budget Overview (Proposed CY 2020 Budget Review)

Village of Palatine
CY 2020 Proposed Budget - Budget Overview

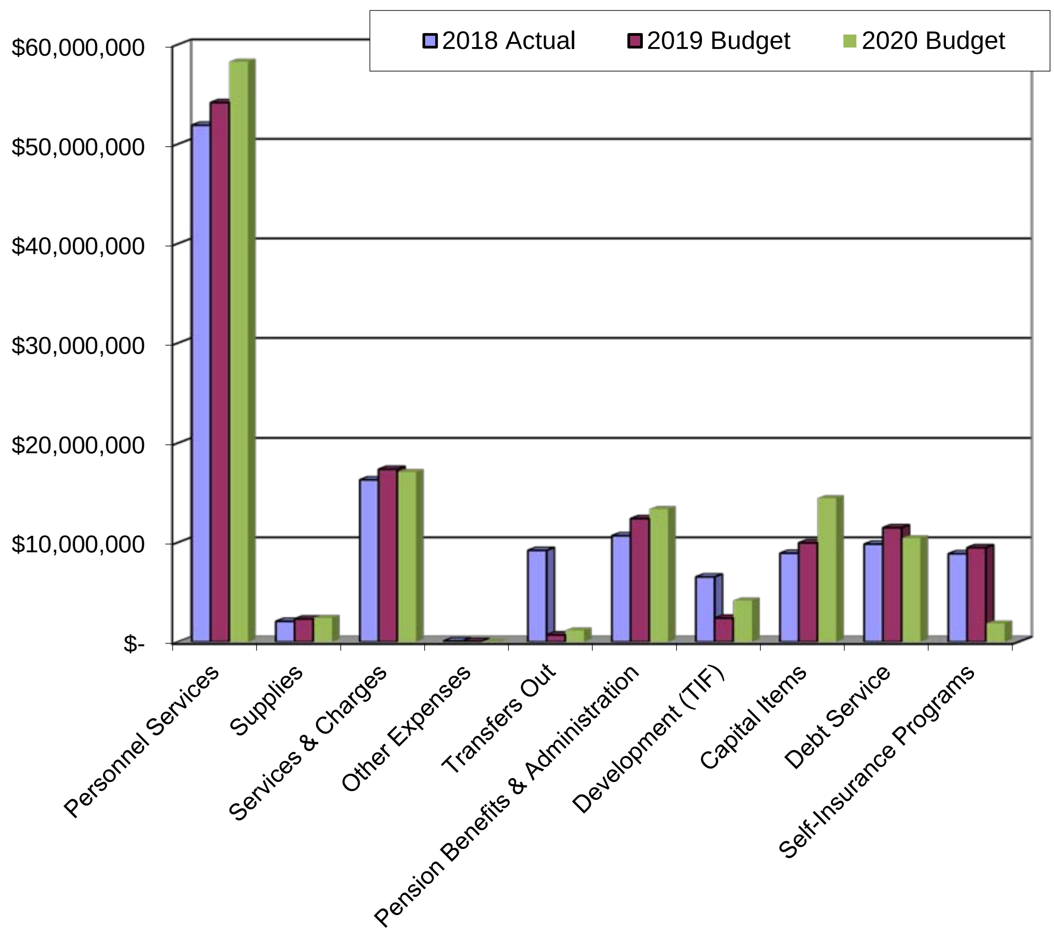
Fund Revenue Summary

		2018 Actual	2019 Adopted Budget	2020 Proposed Annual Budget	% Change
100	General	$ 58,119,109	$ 58,512,105	$ 62,641,035	7.06%
205	Motor Fuel Tax	1,840,755	2,130,470	3,174,495	49.00%
210	CDBG	220,724	481,496	476,996	-0.93%
221	Federal Equitable Sharing	32,946	20,000	20,000	0.00%
222	State Equitable Sharing	62,289	5,000	5,000	0.00%
223	DUI Fines	18,539	5,000	16,000	220.00%
224	Foreign Fire Insurance Tax	70,679	70,000	70,000	0.00%
231	Dundee Road TIF (TIF #1)	3,129,507	828,000	-	-100.00%
232	Rand/Dundee TIF (TIF #2)	330,022	415,000	1,062,228	155.96%
233	Downtown TIF (TIF #3)	6,106,150	5,411,815	6,519,930	20.48%
234	Rand Corridor TIF (TIF #4)	10,762,688	2,649,465	4,647,765	75.42%
235	Rand/Lake Cook TIF (TIF #5)	214,952	372,860	321,500	-13.77%
300	Debt Service	11,111,109	2,864,295	1,845,820	-35.56%
401	Capital Equipment	2,667,396	880,055	1,767,935	100.89%
402	Capital Improvements	1,318,278	1,305,925	2,129,490	63.06%
605	Waterworks	11,266,699	10,584,190	11,791,670	11.41%
610	Sewerage	4,417,091	4,002,325	3,881,035	-3.03%
615	Refuse	4,541,724	4,792,560	4,435,245	-7.46%
620	Parking System	1,068,842	560,415	617,015	10.10%
701	Health Insurance	6,980,750	7,699,925	-	-100.00%
702	Liability Insurance	1,687,847	1,775,260	1,847,800	4.09%
710	Fleet Services	1,742,854	1,909,010	1,950,930	2.20%
801	Police Pension	597,229	6,057,000	6,766,000	11.71%
802	Fire Pension	1,478,610	6,338,500	6,583,500	3.87%
825	SSA #5	614,446	585,125	586,125	0.17%
All Funds Revenue Total		**$ 130,401,235**	**$ 120,255,796**	**$ 123,157,514**	**2.41%**

Village of Palatine
CY 2020 Proposed Budget - Budget Overview

All Funds Expenditures

	2018 Actual	2019 Adopted Budget	2020 Proposed Annual Budget	% Change
Personnel Services	$ 51,894,914	$ 54,167,515	$ 58,279,265	7.59%
Supplies	2,063,917	2,296,990	2,396,625	4.34%
Services & Charges	16,301,392	17,362,323	17,079,673	-1.63%
Other Expenses	89,578	27,500	27,500	0.00%
Sub-Total Operations	**$ 70,349,801**	**$ 73,854,328**	**$ 77,783,063**	**5.32%**
Transfers Out	9,200,334	699,500	1,150,000	64.40%
Pension Benefits & Administration	10,676,005	12,395,500	13,349,500	7.70%
Development (TIF)	6,532,673	2,385,860	4,153,728	74.10%
Capital Items	8,912,225	9,961,758	14,447,318	45.03%
Debt Service	9,830,445	11,483,665	10,426,105	-9.21%
Self-Insurance Programs	8,864,873	9,475,185	1,847,800	-80.50%
All Expenditures Total	**$ 124,366,356**	**$ 120,255,796**	**$ 123,157,514**	**2.41%**



Village of Palatine
CY 2020 Proposed Budget - Budget Overview

Fund Expenditure Summary

		2018 Actual	2019 Adopted Budget	2020 Proposed Annual Budget	% Change
100	General	$ 56,615,220	$ 58,512,105	$ 62,641,035	7.06%
205	Motor Fuel Tax	1,913,137	2,130,470	3,174,495	49.00%
210	CDBG	220,724	481,496	476,996	-0.93%
221	Federal Equitable Sharing	8,809	20,000	20,000	0.00%
222	State Equitable Sharing	5,813	5,000	5,000	0.00%
223	DUI Fines	4,873	5,000	16,000	220.00%
224	Foreign Fire Insurance Tax	37,741	70,000	70,000	0.00%
231	Dundee Road TIF (TIF #1)	9,329,804	828,000	-	-100.00%
232	Rand/Dundee TIF (TIF #2)	415,000	415,000	1,062,228	155.96%
233	Downtown TIF (TIF #3)	3,852,488	5,411,815	6,519,930	20.48%
234	Rand Corridor TIF (TIF #4)	6,095,606	2,649,465	4,647,765	75.42%
235	Rand/Lake Cook TIF (TIF #5)	-	372,860	321,500	-
300	Debt Service	2,291,409	2,864,295	1,845,820	-35.56%
401	Capital Equipment	1,420,211	880,055	1,767,935	100.89%
402	Capital Improvements	1,057,046	1,305,925	2,129,490	63.06%
605	Waterworks	10,116,532	10,584,190	11,791,670	11.41%
610	Sewerage	3,906,662	4,002,325	3,881,035	-3.03%
615	Refuse	4,629,457	4,792,560	4,435,245	-7.46%
620	Parking System	493,436	560,415	617,015	10.10%
701	Health Insurance	7,361,176	7,699,925	-	-100.00%
702	Liability Insurance	1,503,697	1,775,260	1,847,800	4.09%
710	Fleet Services	1,820,060	1,909,010	1,950,930	2.20%
801	Police Pension	5,288,256	6,057,000	6,766,000	11.71%
802	Fire Pension	5,387,749	6,338,500	6,583,500	3.87%
825	SSA #5	591,450	585,125	586,125	0.17%
All Funds Expenditure Total		**$ 124,366,356**	**$ 120,255,796**	**$ 123,157,514**	**2.41%**

Village of Palatine
CY 2020 Proposed Budget - Budget Overview

Fund Balance Summary

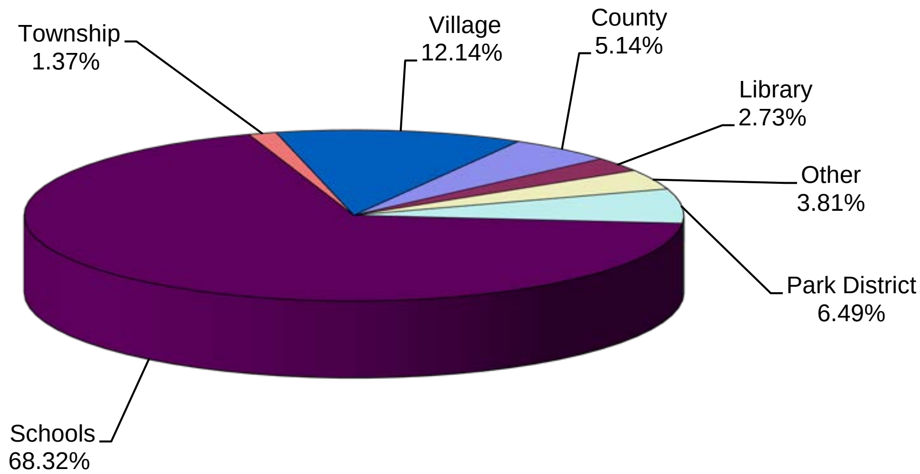
		Estimated Beginning Fund Balance	2020 Projected (Source)/Use of Reserves	Estimated Ending Fund Balance
100	General (Includes $1.6M Economic Stabilization Reserve)	$ 21,649,198	$ (39,018)	$ 21,688,216
205	Motor Fuel Tax	572,497	211,745	360,752
210	CDBG	6,110	-	6,110
221	Federal Equitable Sharing	296,372	-	296,372
222	State Equitable Sharing	256,530	-	256,530
223	DUI Fines	101,346	(4,000)	105,346
224	Foreign Fire Insurance Tax	140,884	-	140,884
231	Dundee Road TIF (TIF #1)	3,937,333	-	3,937,333
232	Rand/Dundee TIF (TIF #2)	790,550	739,878	50,672
233	Downtown TIF (TIF #3)	5,407,178	186,270	5,220,908
234	Rand Corridor TIF (TIF #4)	7,570,617	1,503,965	6,066,652
235	Rand/Lake Cook TIF (TIF #5)	(123,874)	(104,000)	(19,874)
300	Debt Service	85,480	(250)	85,730
401	Capital Equipment	5,860,733	26,090	5,834,643
402	Capital Improvements	4,089,515	269,370	3,820,145
605	Waterworks	7,300,588	81,670	7,218,918
610	Sewerage	782,691	(560,535)	1,343,226
615	Refuse	741,131	(21,100)	762,231
620	Parking System	1,791,350	(81,985)	1,873,335
701	Health Insurance	1,062,060	-	1,062,060
702	Liability Insurance	4,622,494	319,500	4,302,994
710	Fleet Services	585,270	79,850	505,420
801	Police Pension	73,389,954	(947,725)	74,337,679
802	Fire Pension	69,543,715	(1,123,370)	70,667,085
825	SSA #5	1,268,202	(5,275)	1,273,477
All Funds Total		**$ 211,727,924**	**$ 531,080**	**$ 211,196,844**

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.

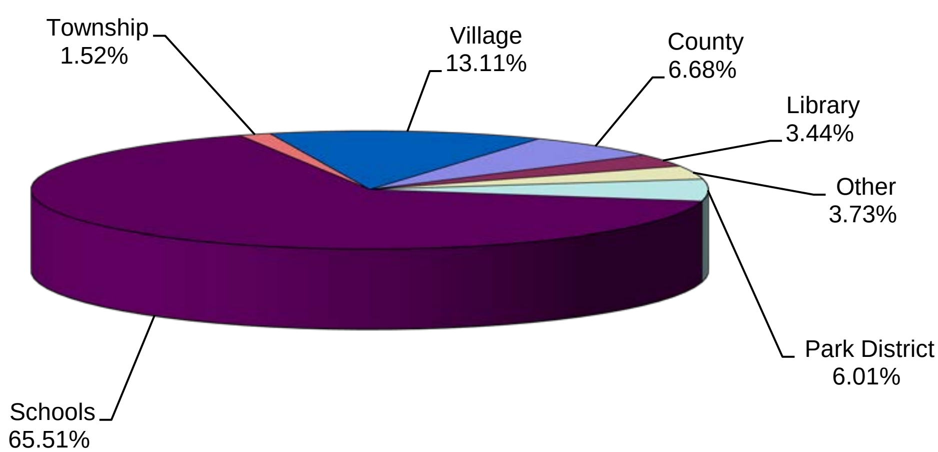
In many cases, one of the main purposes of a fund is to accumulate funds today for a known or planned future outlay. Pension funds and funds that provide for capital outlay (Capital Projects and Enterprise Funds) are a good example of this accumulation of funds today for future outlays.

Property Taxes

2018 Property Taxes (Payable in 2019)



2008 Property Taxes (Payable in 2009)



Village of Palatine
CY 2020 Proposed Budget - Budget Overview

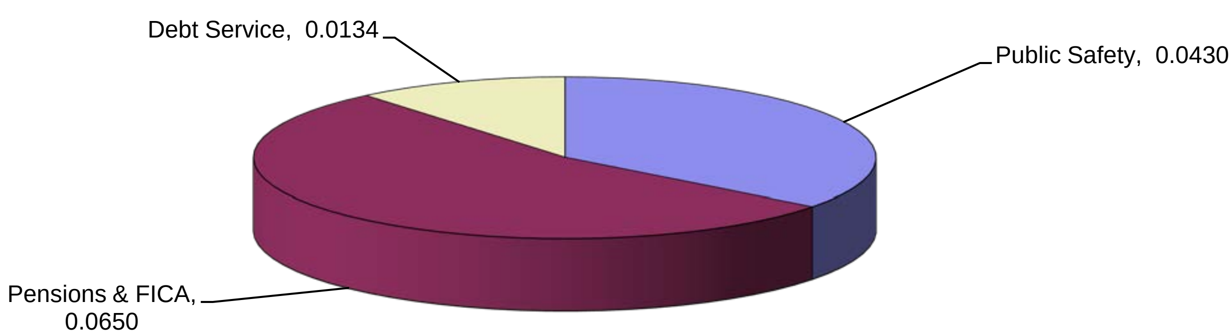
Property Taxes

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 2020, the total property tax levy increase is proposed to be 2.75%. This is consistent with the direction provided by the Village Council as part of our pension discussions. 100% of this increase will go toward supplemental public safety pension funding. $227,673 (1%) represents the 10-year planned for increase pensions. The remaining 1.75% ($398,428) exclusively represents the increased assessments coming out of the retiring TIF District. Those funds originally would have been available for service enhancements or property tax relief. Two years ago, as part of the pension funding strategy, the Council committed to taking the levy from the TIF and applying it to the pensions upon TIF expiration.

Where Does the Village's 12.14 Cents of a Property Tax Dollar Go

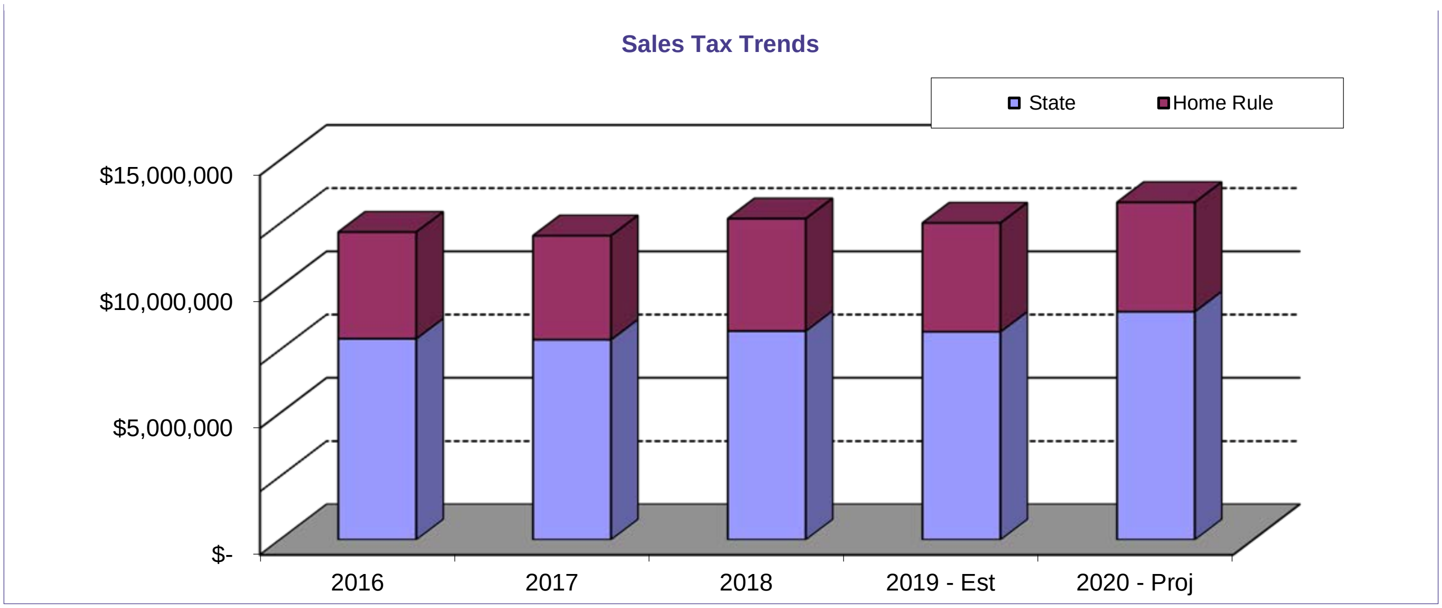


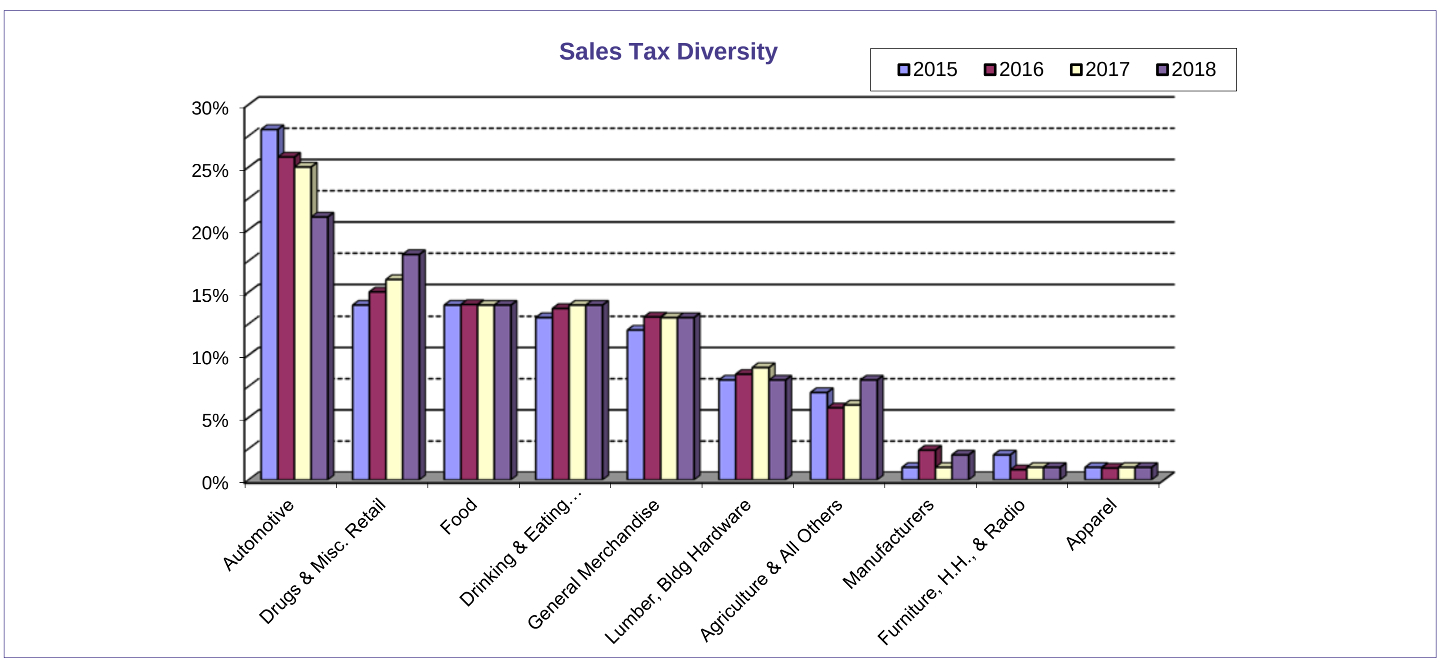
Sales Tax

The CY 2020 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.

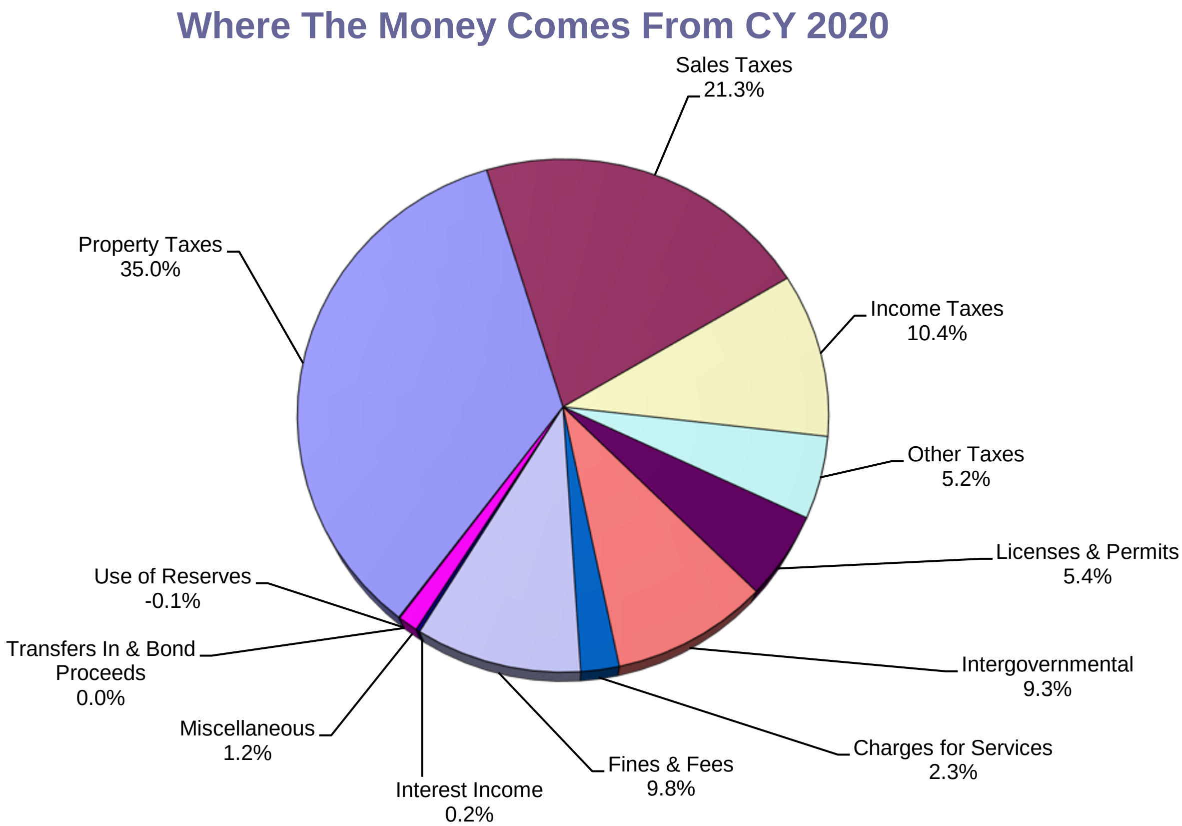
The diversity of the sales tax generators means that if one sector were to experience a downturn, the other sectors would compensate for it. As can be seen, four of the top five producers, excluding automotive, account for 59% of sales tax dollars and are for sectors that are not generally discretionary in nature.





Village of Palatine
CY 2020 Proposed Budget - Budget Overview

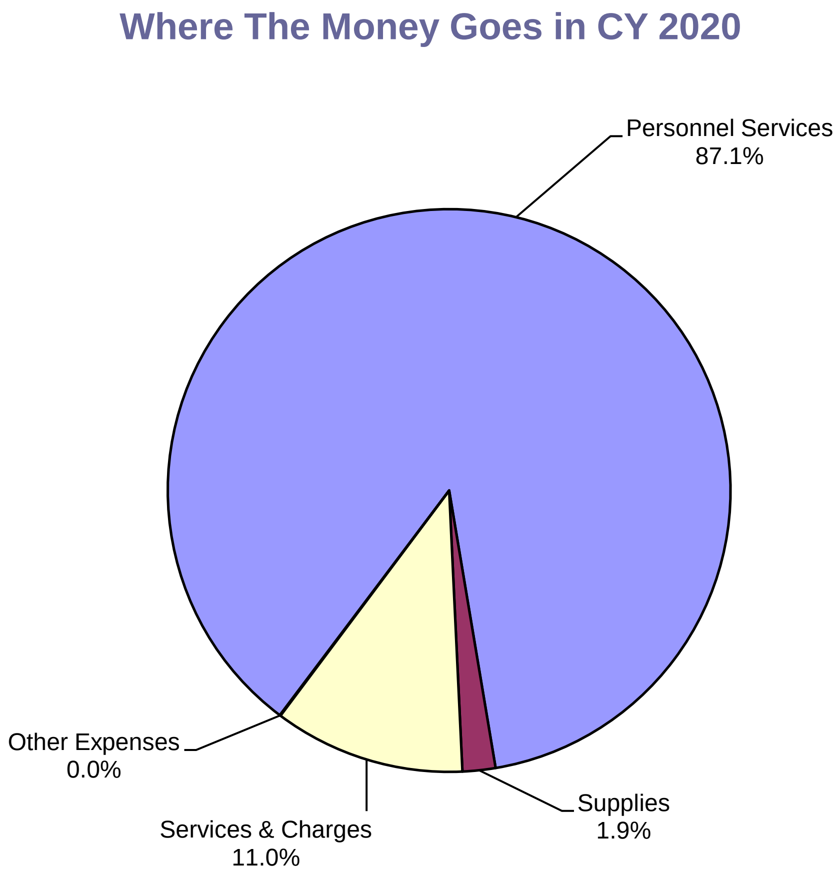
General Fund Revenue



Revenues By Type	2018 Actual	2019 Adopted Budget	2020 Proposed Annual Budget	% Change
Taxes	$ 26,718,556	$ 27,337,912	$ 29,475,344	7.82%
Licenses & Permits	3,226,870	3,343,200	3,384,000	1.22%
Intergovernmental	19,534,045	19,460,250	21,349,390	9.71%
Charges for Services	1,167,921	1,248,199	1,419,399	13.72%
Fines & Fees	5,997,406	5,872,700	6,161,340	4.91%
Interest Income	567,404	188,195	145,855	-22.50%
Miscellaneous	906,907	736,845	744,725	1.07%
Transfers In & Bond Proceeds	-	-	-	-
Use of Reserves	-	324,804	(39,018)	-112.01%
Total Revenues	**$ 58,119,109**	**$ 58,512,105**	**$ 62,641,035**	**7.06%**

Village of Palatine
CY 2020 Proposed Budget - Budget Overview

General Fund Expenditures



Expenditures by Type	2018 Actual	2019 Adopted Budget	2020 Proposed Annual Budget	% Change
Personnel Services	$ 48,504,354	$ 50,721,320	$ 54,548,200	7.54%
Supplies	1,073,082	1,085,870	1,183,805	9.02%
Services & Charges	6,167,640	6,677,415	6,881,530	3.06%
Other Expenses	870,144	27,500	27,500	0.00%
Total Expenditures	**$ 56,615,220**	**$ 58,512,105**	**$ 62,641,035**	**7.06%**