VILLAGE OF PALATINE

VILLAGE HALL - COUNCIL CHAMBERS
200 E. WOOD STREET
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SPECIAL MEETING OF THE
BUSINESS FINANCE & BUDGET COMMITTEE
AGENDA
OCTOBER 31, 2020

8:30 AM

I. ROLL CALL

II. AGENDA ITEM

A. Consider a Discussion of the CY 2021 Proposed Budget & Capital Investment Plan

III. ADJOURNMENT

Consider a Discussion of the CY 2021 Proposed Budget & Capital Investment Plan

BACKGROUND:

Staff is pleased to begin public discussion and review of the CY 2021 Proposed Budget & Capital Investment Plan.

KEY ISSUES:

The CY 2021 Proposed Annual Budget and Capital Investment Plan totals $118,148,164. Of this total, $77,103,604 represents the Operations Budget and the remaining $41,044,560 represents our Capital Budget, TIF Districts, Debt Service, Transfers, Casualty/Liability/Health and other insurance Programs, and Pension Administration requirements. In total, this represents **a decrease of 3.76%** over the CY 2020 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 2 and, if necessary, on November 9. The required Public Hearing is scheduled for November 16, with the final budget adoption on December 7.

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 2021 Budget Message
- Proposed 2021 Budget Overview

VILLAGE MANAGER'S OFFICE
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October, 2020

Honorable Mayor and Village Council:

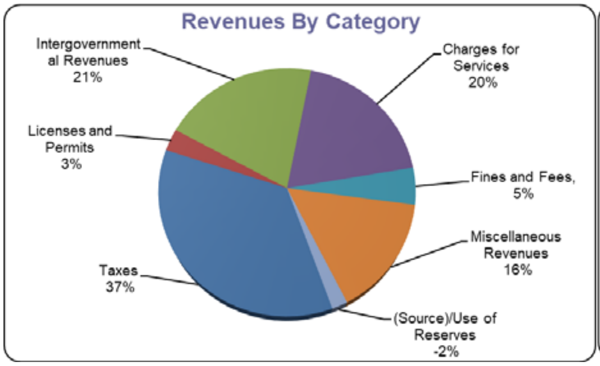
On behalf of the Village of Palatine, it is my privilege to present the Proposed 2021 Annual Budget and Capital Investment Plan for the Village of Palatine.

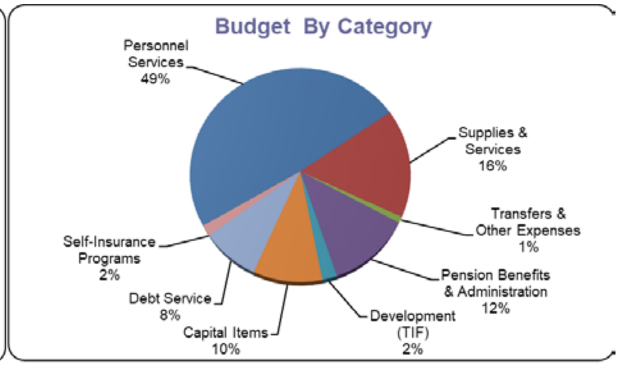
The 2021 Budget marks the 30th municipal budget I have actively been involved in developing and my 18th as Village Manager of Palatine. While I have learned over the years that developing a budget for a municipality is always filled with many unknown variables, the development of the 2021 Budget, in the midst of a global pandemic and partial shutdown of the economy raises the level of uncertainty to something that never could have been imagined. We have been required to reprioritize everything we do as an organization. Demands for our services have never been higher. Uncertainty in our revenue sources has never been greater. It is impossible to predict or anticipate the impact and duration of the COVID-19 pandemic. Yet, our conservative and cautious approach to budgeting over the past 15+ years has put us in a position to succeed and deliver on our core services.

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

The 2021 Proposed Budget and Capital Investment Plan totals $118,148,164. $77,103,604 represents the Operations Budget and the remaining $41,044,560 represents our Capital Budget, TIF Districts, Debt Service, Transfers, Casualty/Liability/Health and other insurance Programs, and Pension Administration requirements. This is a 3.76% **decrease** over the 2020 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. This year that task became more challenging given the uncertainty of revenue sources in the near term due to the pandemic.

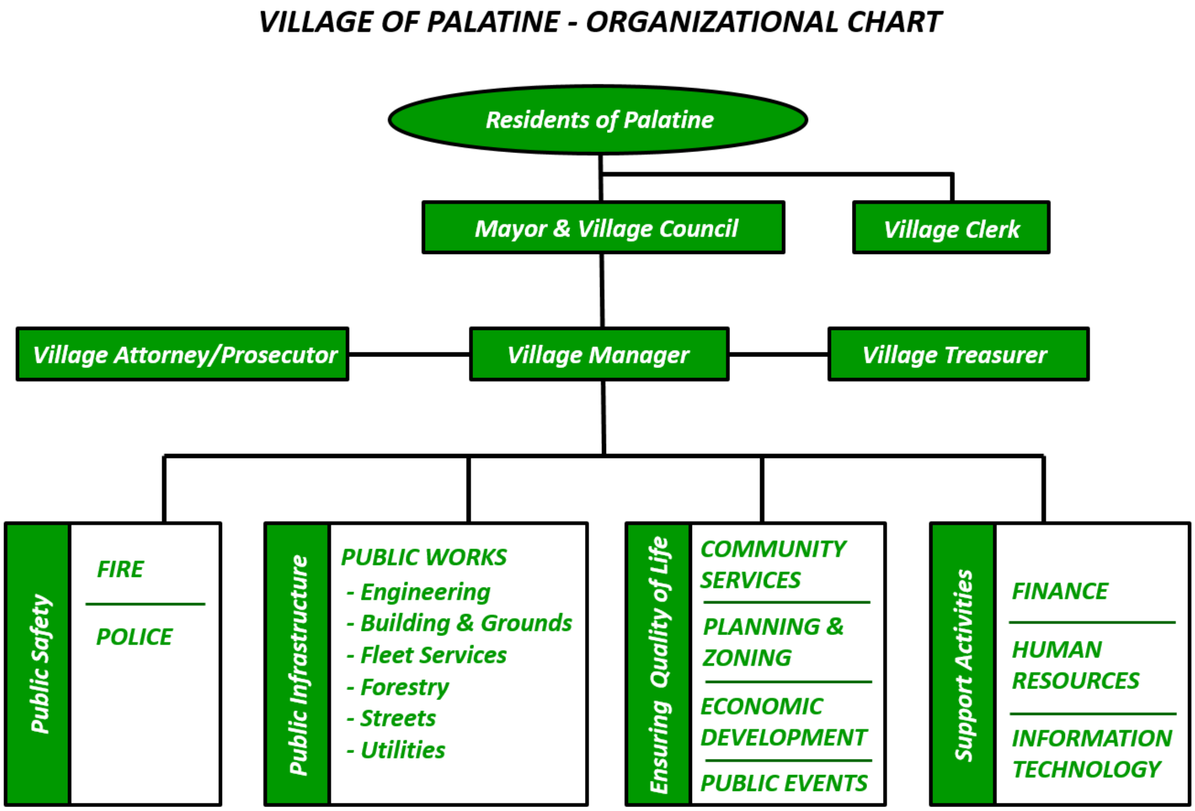




	2020 Adopted Budget	2021 Proposed Budget	2021 % of Total
Personnel Services	$ 57,880,865	$ 57,668,495	48.8%
Supplies	2,396,625	2,250,290	1.9%
Services & Charges	17,079,673	17,157,319	14.5%
Other Expenses	27,500	27,500	0.0%
Sub-Total Operations	**77,384,663**	**77,103,604**	**65.3%**
Transfers Out	1,150,000	1,085,000	0.9%
Pension Benefits & Administration	13,349,500	14,119,500	12.0%
Development (TIF)	4,153,728	2,475,000	2.1%
Capital Items	14,447,318	11,603,099	9.8%
Debt Service	10,426,105	9,787,111	8.3%
Self-Insurance Programs	1,847,800	1,974,850	1.7%
All Expenditures Total	**$ 122,759,114**	**$ 118,148,164**	

The Proposed Budget, while continuing the commitment to invest in our infrastructure, and ensuring a strong quality of life for our residents, is also a budget of sacrifice. The Budget includes the permanent elimination of six (6) full-time positions and nine (9) part-time positions. Further, it includes holding five more positions (2 sworn police and 3 sworn fire) vacant and unfunded for the coming year. There will be service impacts due to these changes, but these are the steps necessary to bridge the upcoming year and avoid significant increases in taxes and/or fees. The investment in our core infrastructure and delivery of our core services will continue to meet the demands and expectations of our customers.

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



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. Additionally, the Council approved a policy to capture the growth from the retiring TIF Districts to help offset pension costs. While this would have resulted in a 1.15% increase in the property tax levy in the Proposed Budget, staff is recommending foregoing this increase to provide relief for our residents and businesses that are suffering financial hardship due to the pandemic. We will still meet our pension obligations.

Budget Policies and Parameters

Over the past several years, the uncertainty created by the fiscal affairs of the State and the rapidly increasing public safety pension costs have made 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. This year that became even more challenging. The Operating budget guidelines we have traditionally used were again established by the Village Manager as part of the budget development process. These guidelines were as follows:

- All budgets would be predicated upon providing our core services. Any new initiatives should drive efficiency improvements or cost savings.
- All non-personnel operating expenditures, including commodities and contractual services, were to be funded at 2020 levels or less. No increase would be available for the fourth 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. In fact, the 2021 Budget will have 11 fewer full-time and 9 fewer part-time employees as compared to the Adopted 2020 Budget.
- Further and new to 2021, all Departments were to establish a “Hold List” of operating expenses that could be deferred until the second half of 2021 to make sure revenues were meeting expectations. A similar list was to be developed for capital projects.

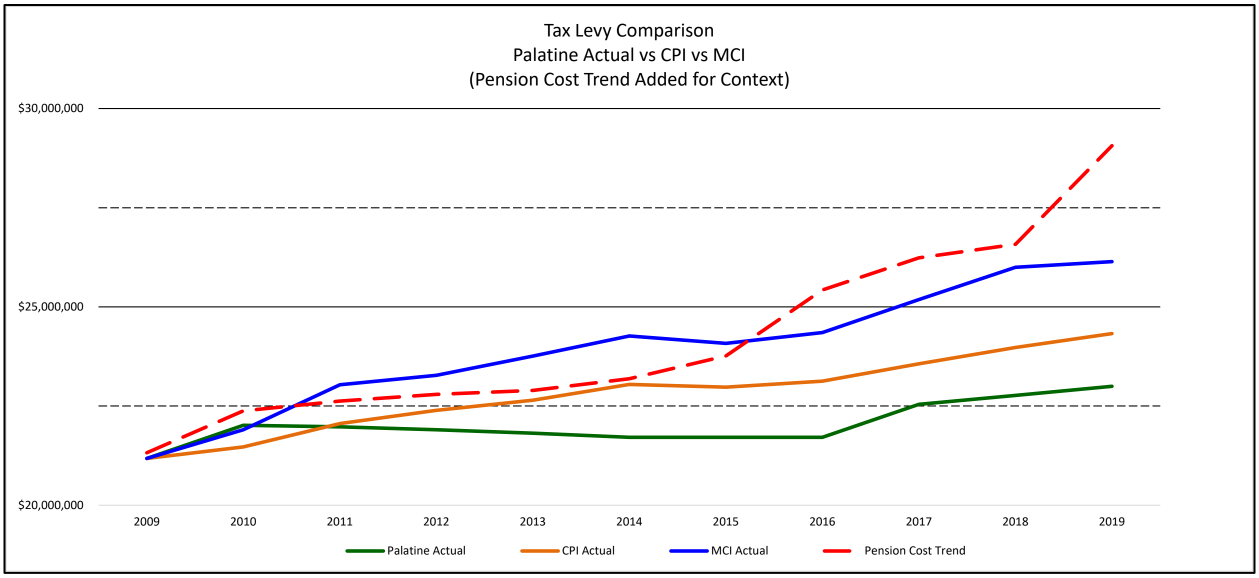
Revenues

Typically, 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. The 2021 budget process was unlike any ever experienced due to the pandemic and delayed reporting of revenues by the State of Illinois. The historical model was still used with a number of adjustments based upon a variety of factors including discussion with business owners, smoothing to address pandemic sales surges (ie. grocery store and general merchandise stores). The revenue projections for 2021 represent the best educated guess available.

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

- **Property Tax –** Our track record over the past decade in reducing and stabilizing property taxes has been outstanding. The Village went six years (2012-2017) with a constant or reducing property tax levy. From 2018 through 2020, the Village raised their property tax levy solely to fund increasing public safety pension obligations. 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.

  When you compare our property tax levy to the Consumer Price Index or the Municipal Cost 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.



For 2021, the Village is proposing no property tax levy increase.

Our total pension contributions to police and fire are increasing by $1,486,000. With no levy increase, the Village is absorbing the balance of the pension increase through other cuts or organic revenue growth. While the recent pension consolidation will provide some long-term relief, the $1,486,000 includes an increase of $443,233 to fund the pension enhancements the General Assembly approved as part of the pension consolidation changes.

- **Sales Tax –** Total sales tax receipts are one of the most difficult revenue projections undertaken for the upcoming year. There have been delays in reporting due to COVID-19 and there are many factors that needed to be accounted for including pandemic sales surges in some businesses (i.e. home improvement centers, general merchandise centers, grocery stores) and sales plunges due to shutdowns in other categories (i.e. auto sales, retail sales, restaurants). After attempting to account for these unique circumstances, our sales tax projections for 2021 reflect collections of $13,050,000. In essence, 2021 is very reflective of our 2019 actual receipts with adjustments for several new businesses from this past year (Napleton Mazda, Napleton Subaru, and Studio 41). This revenue will be tracked very closely throughout the year and our budget will be adjusted accordingly.

- **State Use Tax –** This is a per capita revenue received from the State of Illinois. Generally, these funds represent sales taxes paid on out of state or on-line purchases that are remitted to the State and then distributed on a per capita basis. The current shift to online purchasing that has accelerated in 2020 with the pandemic is leading to an increase of 21% or $489,700. This offsets the decreases we are experiencing in the traditional sales tax receipts. 2021 will commence the collection (in some circumstances) of local sales tax from on-line and out of state businesses. This is based upon point of delivery of goods. We will closely monitor this revenue source to determine what impact this may have.

- **State Income Tax –** This represents our largest loss in the upcoming year due to the statewide unemployment levels. A portion of the State income tax is distributed to local units of government on a per capita basis. For 2021, we anticipate a reduction of $1,279,100. This is based upon information provided by the State to the Illinois Municipal League. That decrease is after we were able to add back $317,000 that the State had been withholding from receipts. We are back at 2018 collection levels with these estimates.

- **Food and Beverage Tax –** As far as local revenue sources, the food and beverage tax is the most impacted revenue source due to the pandemic. The 2021 revenue estimate is $1 million. This reflects a decrease of $322,100 over the 2020 Budget (-24.4%). There remains enormous uncertainty for the indoor, sit down dining and the $1 million reflects a "best guess" by Staff.

- **Building Permit/Inspection/Review Fees –** A bright spot remains the strength of our building activity in the community. While 2020 was uncharacteristically strong due to the permit for the Amazon facility, 2021 continues to reflect the reinvestment and new investment being made in Palatine. In total, building permit related revenues are anticipated to increase by $245,000 with an anticipated revenue of $1,865,500.

- **Cable Television Fees –** This revenue source continues to see an annual decline as more people are "cutting the cord." In 2021 we are anticipating total revenues of $1,054,900. This reflects a decrease from the $1,155,400 that was anticipated in 2020. As we see more people switching away from cable and to streaming services, we will begin exploring the possibility of a streaming tax that could be implemented in 2022. This would simply be replacing the losses we are experiencing due to the shifting technology. This will be discussed as part of the 2022 Budget process.

- **Red Light Camera Fines –** This is a very dynamic revenue driven in large part by road construction activities which often times result in certain intersections being offline for periods of time. This upcoming year is again one of these years. While typically we would expect to have revenues of approximately $700,000 from this source, in 2021 we are anticipating $412,300 or more than a 40% reduction due to the construction at the intersection of Rand and Dundee.

  The Village is in the process of evaluating proposals from several red light vendors. Based upon this evaluation and decision by the Village Council, we anticipate offsetting $65,000 of this loss through a more favorable fee structure.

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 2021, the Proposed Budget is recommending that all general fees be increased by 4.25%. This would not apply to required purchases such as vehicle stickers but rather the discretionary items such as permits, zoning fees, licenses, etc. The 4.25% increase is estimated to generate a total of $125,000 which will offset a significant portion of our credit card fees as we see an escalating number of transactions completed with credit cards.

This will simplify the process compared to trying to add per transaction fees or fees based upon a percent of total charges. Again, the increase will not apply to vehicle stickers. Once established, this amount will help offset our credit card fees moving forward.

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. This past year has put us to the test unlike anything that could have ever been anticipated or planned.

We were able to withstand the pandemic in 2020 through a combination of expenditure reductions, the use of 2019 surplus dollars and utilization of our Economic Stabilization fund. All told, the Village adjusted the budget by $5.2 million. After these actions, the Village still retained strong unrestricted fund balance levels. The Budget anticipates 2020 will mark the 17th 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 2021 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 2021 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 2021 will mark the fourth year of the five year draw down.

The General Fund operating reserves are projected to be approximately $21.3 million, which falls within the 3 to 4 month policy range. This does not include the Economic Stabilization Reserve which as previously mentioned is being utilized to address revenue shortfall in 2020. A top priority will be again funding the Economic Stabilization Fund to the Reserve Policy level of $1 million.

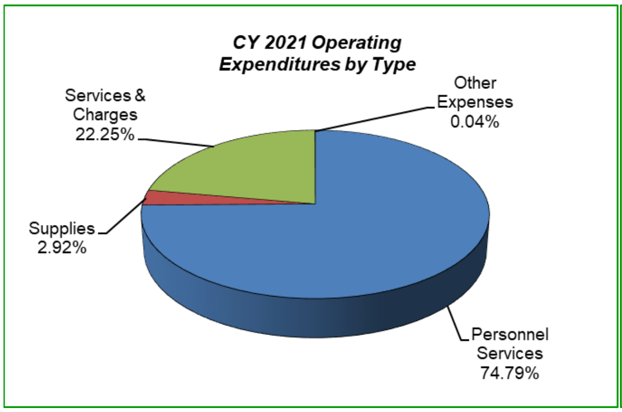
In the case of capital related reserves, these funds are considered sinking funds. It would not be fiscally prudent or responsible to fund current capital expenditures with current dollars nor to issue bonds for all capital purchases. In this case, these reserves can be likened to a savings account to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

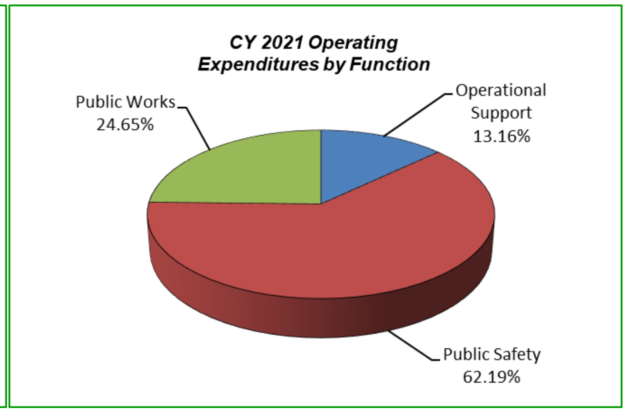
Annual Operating Budget

The entire Village organization is committed to delivering on our core services in the most cost effective and efficient manner. The challenges in doing so have never been greater with the global pandemic. Despite the challenges, the budget demonstrates a real commitment to efficiency and living within our means.

Our operating expenditures are summarized as follows:

Expenditures by Category	Adopted 2020	Proposed 2021	% Change
Personnel	$57,880,865	$57,668,495	-0.37%
Supplies	2,396,625	2,250,290	-6.11%
Services & Charges/Other	17,107,173	17,184,819	0.45%
Total Operations	**$77,384,663**	**$77,103,604**	**-0.36%**





As we have discussed in the past, 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 this task, it takes a committed work force. 298 of our 327 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. Following 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.

Last year was to mark the first increase in personnel counts in over a decade with two new positions in Public Works and one proposed in Community Services. The onset of a global pandemic quickly changed our plans and now the Proposed 2021 Budget reflects a reduction in our workforce.

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
January 1, 2021	327	54

In an effort to live within our revenues and avoid significant tax increases, there were five full-time positions eliminated during the course of 2020 along with nine part-time positions. These positions are permanently eliminated as part of the 2021 Budget bringing over $1 million in savings.

Additionally, included within the 327 full-time positions are five positions that are going unfunded in 2021. The intention is to bring these positions back in 2022 or potentially earlier if revenues exceed expectations. These five positions include two sworn police officers and three sworn firefighters. The impact in police will be a reduction in the traffic unit as well as a reduction in staffing for a multi-agency task force. In fire, the impact will often result in our Squad 85 being out of service with one employee previously assigned to the Squad operating off our Tower 85 apparatus.

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 at that time.

Departmental Budgets and New Initiatives

The upcoming year is much more about survival and bridging us to what hopefully is a full recovery in 2022 as compared to new initiatives. In fact, with the reduction in personnel, there will be programs that are slowed or even dropped in the coming year.

Some of the more notable changes for CY 2021 include:

- ***Personnel Changes –*** As previously discussed, the budget has been developed reflecting a mid-year 2020 decision to eliminate five full-time and nine part-time positions. These were a combination of vacant positions and layoffs. Of particular note is the elimination of the newly created pro-active property maintenance inspector. This was a program that we were looking forward to expanding, but the current economic climate does not allow for this program. Several positions will not be filled as a result of an expansion of our technology and new building permit software.

  Additionally, there are several other positions that are presently under review for their inclusion in the budget. Evaluations are taking place as to alternatives to conduct the same services in at significantly reduced cost. These evaluations may carry into the new year and become decisions made after the adoption of the budget.

  Due in part to the changing responsibilities as we lose positions, several other 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 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 –** We continue to move forward with implementation of new technology which not only streamlines our processes and achieves efficiency, but also provides enhanced services for our residents. 2021 will mark the first full year of our new community development software which will allow for an expanded process for permit submittal and allow our field personnel to go more paperless and transmit inspection reports to the contractors and property owners while still in the field.

- **Development of a "Hold List" –** While there was a great deal of effort in developing reasonable revenue estimates, there is the underlying concern over the impact of the pandemic and what 2021 will ultimately reflect from a revenue standpoint. To this end, a "Hold List" has been developed that has identified $600,000 in operating department expenses that, while included in the budget, will not be committed or spent until the Council completes a mid-year financial review. Thus, if revenues are lagging, there is already a built-in safety measure to keep our expenditures in line with revenues. Similarly, if things are tracking better than expected, the Village Council can release these funds earlier in the year.

  A significant amount of training is on the "Hold List". We have highly skilled employees, and the upcoming year will have a focus on internal training and development. The outside training that has allowed us to drive efficiencies and be a leader in the delivery of municipal services will be sacrificed if the economy falters. As the departments will attest, missing one year is not going to have a material impact on the services you see from our employees. It is the second or third year that will result in a drop in quality. The single largest item is to hold on the third round of milling and paving of our streets. This alone totals over $100,000 of the hold list.

The 2021 Budget does continue to provide funding for our Police Walking Beats in areas identified by Police that benefit from enhanced police presence. Additionally, the Budget will continue some mid-year 2020 decisions to modify our delivery of communications. The newsletters will continue to be all completed in an electronic format and done more frequently. We will be pursuing more paperless permits and licenses which will have small impacts on staff time savings and supply expenses.

Our Operating Budget for 2021 is really about keeping the boat afloat and pointed in the right direction without a motor. We understand it is a year of sacrifice and are optimistic that the economy will improve, and medical advances will continue to develop and begin putting the COVID-19 pandemic in the rearview mirror.

Pensions

Our pension contribution obligations continue to be a significant factor in the development of our budget for over a 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. Last year, 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.

Unfortunately, prior to seeing any of the savings, the Village gets to cover an increase in costs as the State provided pension enhancements as part of the consolidation. In fact, of the total public safety pension required contribution increase of $1,486,000, just over $440,000 is to cover these police and fire pension enhancements.

The Village's required contribution to our third pension plan, IMRF which covers our civilian employees is projected to see a slight increase of $17,850 in 2021.

The 2021 Budget includes $12,325,000 to meet the statutorily required contributions we face for our three state pension systems. This represents an increase of $1,586,000 over last year. In order to fund this increase with no increase in the total property tax levy, we are redirecting our additional amortization payments and 2010C Bond refunding savings towards the required contributions and absorbing the remaining $715,966 within our budget.

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), civil unrest, and the pandemic have led to a significant tightening of the property and liability insurance markets. As such, despite our performance, we are anticipating an increase of 9.2% in these lines of coverage. In fact, moving forward there is concern that municipalities may no longer be able to get insurance for police liability coverage.

The upcoming year is a good news story for our health insurance plan. As part of our transition to the Intergovernmental Personnel Benefits Cooperative (IPBC) in 2020, we were able to lock our rates for 2021 and thus, there is no increase in the budget for the employees covered by this plan. The Public Works union employees remain in a separate plan through their union and we anticipate those costs will be increasing. Our past collective bargaining agreement requires the employees to cover any costs increases that exceed that of other employees and thus, any costs will be offset by employee contributions.

Annual Capital Investment Plan

The 2021 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.

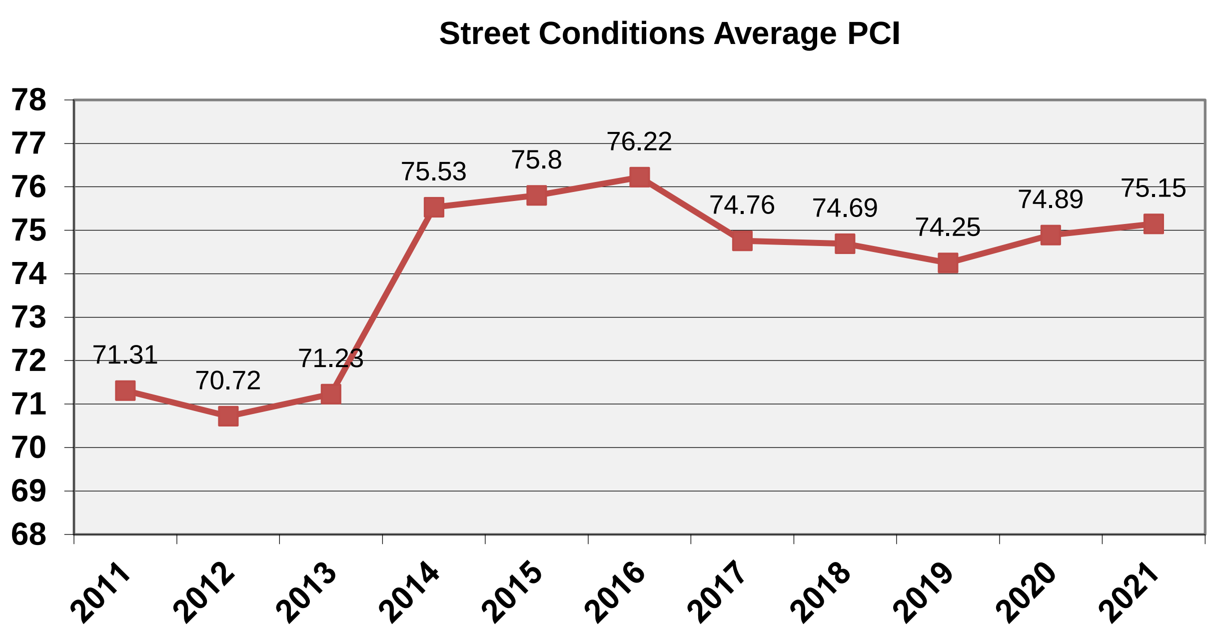
Our capital program operates as a sinking fund where it is planned that some years the expenditures will exceed revenues and other years the revenues exceed the expenditures. This is the nature of capital investments. Thus, you can’t just look at fund balance levels and defer the need for permanent funding sources. Fortunately, the sinking fund process, coupled with other stable revenue sources, have allowed us to not only maintain our annual capital investment, but establish adequate reserves to address unforeseen situations or emergency repairs and replacements. These reserves are at a level that I am recommending a transfer of some of the utility tax revenues to the operating budget for the 2021 Budget year to help maintain core services as we await a full economic recovery in 2022. These funds would then return to the capital fund the next year.

Furthering 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 $5 million in funding for the complete resurfacing and other associated improvements for Plum Grove Road, Colfax Street, Smith Street and Rohlwing Road over the past several years. These grant dollars free up money to be utilized for other local roads. Grants have been secured for bicycle trail implementation and needed drainage improvements. Staff continues to look for grant opportunities for all capital projects.

The following sections highlight the Capital Investment Plan for 2021.

Street Maintenance Programs

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.



As discussed last year, the State of Illinois increased their MFT tax rate last year which has in turn resulted in additional funds for the Village which, coupled with an appropriation from the refuse contract savings, has the Village back on strong ground for our road maintenance program and allows us to more proactively address our collector streets and meet the goals endorsed by the Village Council in 2019 which were:

- 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

With these new goals, the 2021 Budget continues to make meaningful progress towards full implementation.

The annual resurfacing program for 2021 includes funds for the following street resurfacing:

2021 PROPOSED STREET RESURFACING PROGRAM

Street	From	To
Aster Avenue	Old Hicks	Capri
Babcock Drive	Church	Clark
Bel Aire Terrace	Pompano	Tahoe
Bloomfield Court	Rockledge	Cul-de-Sac
Brighton Lane	Bedford	Whytecliff
Carpenter Drive	Clark	Dead End West
Charlotte Street	Comfort	Robertson
Clyde Street	Glencoe	Kenilworth
Countryside Drive	NW Highway	Sterling
Forestview Circle	Lakeview	Cul-de-Sac
Greenwood Drive	Pompano	Cul-de-Sac
Hidden Prairie Court	NW Highway	Cul-de-Sac
Imperial Court	Glade	Bothwell
Iris Drive	Aster	Zinnia
King Charles Court	Garden	Cunningham
Joyce Avenue	Winston	Patricia
Kenilworth Avenue	Dead End West	Patricia
Laguna Court	Lakeview	Cul-de-Sac
Lakeview Court	Lakeview	Cul-de-Sac
Leonard Road	Quentin	Crescent
Longview Lane	Quentin	Elm
Mozart Street	Colfax	Wood
Middleton Avenue	Whytecliff	Hunting
Nightingale Drive	Partridge	Peregrine
Oak Ridge Court	Lakeview	Cul-de-Sac
Patten Drive	Robinson	Williams
Rockledge Drive	Parkside	Slippery Rock
Rosewood Court	Lakeview	Cul-de-Sac
Rosita Drive	Winston	Richards
Shoreside Court	Lakeview	Cul-de-Sac
Tahoe Trail	Willow Wood	Stark
Williams Avenue	Dead End North	NW Highway
Wood Street	Plum Grove	Oak
Zinnia Lane	Laurel	Iris

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.
- ***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 2021, there are funds for three cycles of milling and paving. The third cycle ($100,000) is on the operating “Hold List”.
- ***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. In an effort to establish a balanced budget for 2021, this program has been reduced from $75,000 to $35,000 for the upcoming year.
- ***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 2021 the Village will be undertaking the rehabilitation and resurfacing of Rohlwing Road from Palatine Road to Northwest Highway.

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 –*** The 2020 Budget saw a significant increase in sidewalk funding to $1,065,000. It was anticipated that this would be enough funding for the Village to complete a full cycle of hazardous sidewalk replacement throughout the Village. 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%. Unfortunately, there was more sidewalk in need of replacement in 2020 than the $1,065,000 could cover. Thus, the 2021 Budget includes $334,929 which is primarily focused on completing our annual replacement program. Prior to moving forward in 2022, staff will be re-evaluating the sidewalk program and recommend new standards for Council consideration.

- ***Replacement of Equipment and Vehicles –*** The Budget continues with implementation of the Vehicle Equipment and Optimization Plan. Included in the 2021 budget are the following equipment and vehicle replacements:
  - Ambulance replacement
  - 6 Administrative/Field Vehicles/Pick-ups
  - 3 Heavy Duty Public Works Trucks
  - Truck and vehicle lifts
  - 5 Police vehicles
  - Replacement generator for Fire Station 85

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 fund $115,000 of this request. This was originally included in the 2020 Capital Investment Plan but eliminated due to the budget cuts. As there is a significant commitment from the County, as well as a cost share from the Park District, we felt it important to re-budget the item in 2021.
- ***Security Improvements –*** Included within the TIF District funds, there is $250,000 to upgrade the original camera system within the parking deck as well as expand the system within other portions of the downtown. This will help address vandalism concerns as well as create a more secure environment for those frequenting and living within our downtown.

Water and Sewer Funds

The 2021 Capital Investment Plan continues to invest in storm water management, sanitary sewers, and our water system. $5,768,040 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 ($155,000) –*** 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 ($275,000) –*** 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 ($3,150,000) –*** This infrastructure improvement continues to increase as the Village aggressively moves forward with more water main replacements.

- ***Water System Interconnect ($1,200,000) –*** This is for the planned interconnect with Hoffman Estates. 50% of the cost will be reimbursed by Hoffman Estates and the remaining $600,000 is expected to be eligible for a 50% match from the Northwest Water Commission.

Unfortunately, with the ongoing decrease in water consumption, the costs of maintaining the system continues to increase, 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 5.5% rate increase bringing our rate per 1,000 gallons to $4.80 for our residents. Palatine will continue to have one of the cheapest water rates in Illinois.

This said, over the coming year, staff will undertake a review of our rate structure. In an environment of decreasing usage and increasing costs, staff feels that there may be a more equitable and stable way to collect revenues. This evaluation will include reviewing our fixed monthly billing charge, the actual water and sewer usage rates, and the minimum monthly consumption charge. This review will be done with "industry standards" in mind. For instance, many municipal utilities charge a monthly fixed fee based upon the size of the water line entering the premises (i.e., 3/8-inch, 1/2-inch, etc.) and/or provide for a fixed fee based upon the number of dwelling units. This review could lead to a change in our rate structure moving forward to provide a more dependable source of revenues for our basic maintenance and operating costs.

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.

This past year marked our first year with the original Dundee Road TIF District having been retired. In 2021, the second portion (Home Depot) will also be retired. The increment generated over the years of development will now help us manage our pension contributions and other operations. 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 nearly $2 million in sales tax dollars and food and beverage tax receipts in 2018 alone. The now retiring district generated an additional $851,460 in sales tax/food and beverage tax receipts in 2019. Our TIF Districts by all accounts have been very successful. 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. Staff is actively engaged with the owner of the Park Place Center discussing redevelopment options for this property.

The Downtown TIF District is nearing the end of its initial life. The Village continues to invest millions in infrastructure improvements in the downtown and discussions are taking place regarding a potential extension of this TIF District to continue with our infrastructure investments. The lack of a spring legislative session this past year delayed more progress on the extension.

Refuse Fund

Last year, the Village renegotiated a contract for refuse services. The new contract has very favorable terms for the Village and led to a 5% rate reduction in our refuse rates for single-family and townhome customers in 2020 and no increase in 2021. Based upon our projections, the Village should realize this reduced rate for the next five years.

Debt Service

The Village's AA+ bond rating from Standard & Poor's was just reaffirmed and it's Aa2 rating from Moody's remains unchanged. These strong ratings help drive lower interest rates for any borrowing done by the Village.

The annual budget includes an appropriation of $8,734,011 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 three other sources of this debt payment listed in the chart below.

Other Sources of Debt 2021

Source of Payment	Principal & Interest	Percent of Debt
TIF Revenues	$4,917,965	56.31%
Water & Sewer Revenues	1,955,165	22.39%
Special Service Area Revenues	583,225	6.68%
Total	**$7,456,355**	**85.38%**

These other sources reduce the property tax burden on our stakeholders by a total of $7,456,355. More than 85% of our 2021 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 2020, the Village will have $52,000,000 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, 2020)

Source of Payment	Outstanding Principal	Percent of Total Debt
Property Tax	$25,250,000	47.96%
TIF Districts	14,430,000	27.41%
Water & Sewer Fees	7,705,000	14.63%
Special Service Area	5,260,000	10.00%
Total	**$52,645,000**	**100.00%**

In 2020, the Village reduced its outstanding General Obligation debt burden by an additional $465,000 by refunding the outstanding principal of the 2010C bond issue to reduce the outstanding principal by a total of $465,000 and provide for interest savings of $3,359,519.

The Future

After 30 years of developing municipal budgets including recessions, rapid growth, impacts from other units of government, mandate after mandate – you begin to think you have seen it all. This year was unlike all previous 30 combined. The 2021 Proposed Budget and Capital Investment Plan took an incredible amount of effort across the entire organization. Throughout the past year, the employees pulled together like never before and delivered on all of our services. We had to part ways with some of our employees due to the pandemic, but those left gave it their all.

We are poised to make it through the next year. The Proposed Budget is balanced and reflective of a very small property tax increase. There has been sacrifice and there will be some impact on services, but we all know this is what is necessary to move the organization forward to more prosperous times ahead.

The employees 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.

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 daily.

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

Respectfully submitted,

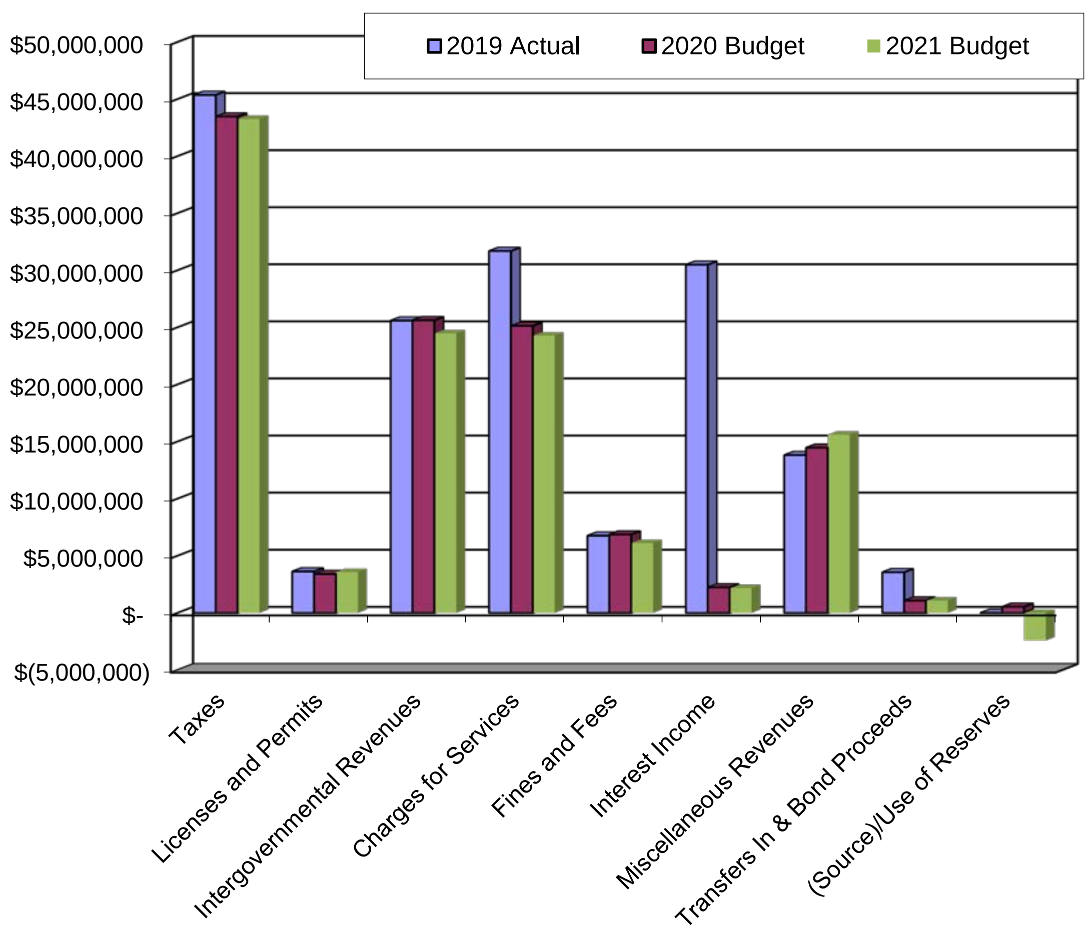
Reid T. Ottesen

Reid T. Ottesen
Village Manager

Village of Palatine
CY 2021 Proposed Budget - Budget Overview

All Funds Revenues

	2019 Actual	2020 Adopted Budget	2021 Proposed Annual Budget	% Change
Taxes	$ 45,357,774	$ 43,467,434	$ 43,256,284	-0.49%
Licenses and Permits	3,624,319	3,397,500	3,577,500	5.30%
Intergovernmental Revenues	25,587,834	25,619,066	24,470,899	-4.48%
Charges for Services	31,686,987	25,124,444	24,276,934	-3.37%
Fines and Fees	6,755,122	6,858,840	6,116,845	-10.82%
Interest Income	30,482,626	2,229,715	2,175,400	-2.44%
Miscellaneous Revenues	13,810,716	14,456,035	15,607,275	7.96%
Transfers In & Bond Proceeds	3,556,360	1,075,000	1,085,000	0.93%
(Source)/Use of Reserves	-	531,080	(2,417,973)	-555.29%
All Revenues Total	**$ 160,861,738**	**$ 122,759,114**	**$ 118,148,164**	**-3.76%**



Attachment: Proposed 2021 Budget Overview (Proposed CY 2021 Budget Review)

Village of Palatine
CY 2021 Proposed Budget - Budget Overview

Fund Revenue Summary

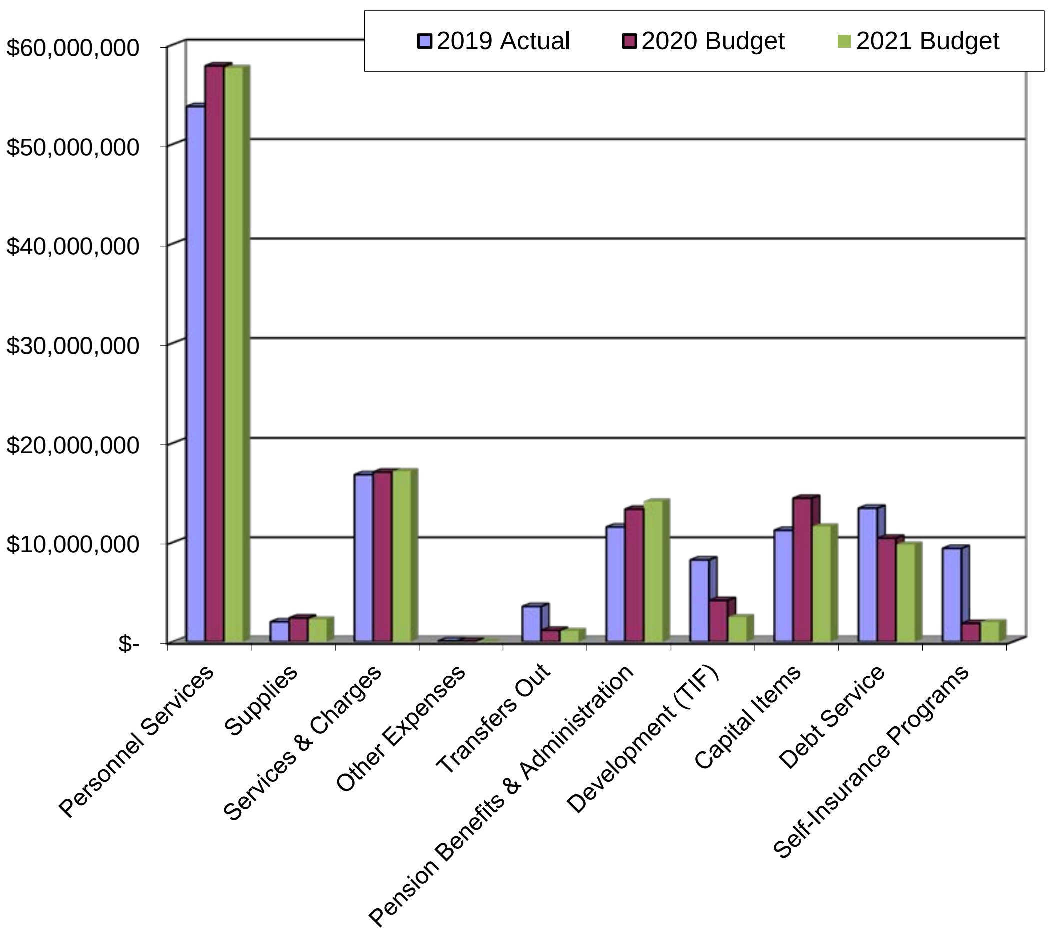
		2019 Actual	2020 Adopted Budget	2021 Proposed Annual Budget	% Change
100	General	$ 60,352,051	$ 62,242,635	$ 62,061,116	-0.29%
205	Motor Fuel Tax	2,275,846	3,174,495	2,471,375	-22.15%
210	CDBG	987,589	476,996	515,274	8.02%
221	Federal Equitable Sharing	188,273	20,000	20,000	0.00%
222	State Equitable Sharing	28,916	5,000	5,000	0.00%
223	DUI Fines	14,664	16,000	5,000	-68.75%
224	Foreign Fire Insurance Tax	93,895	70,000	70,000	0.00%
231	Dundee Road TIF (TIF #1)	3,380,584	-	-	0.00%
232	Rand/Dundee TIF (TIF #2)	334,132	1,062,228	-	-100.00%
233	Downtown TIF (TIF #3)	6,232,379	6,519,930	4,858,600	-25.48%
234	Rand Corridor TIF (TIF #4)	3,253,307	4,647,765	4,025,115	-13.40%
235	Rand/Lake Cook TIF (TIF #5)	463,605	321,500	5,000	-98.44%
300	Debt Service	5,759,781	1,845,820	1,279,906	-30.66%
401	Capital Equipment	2,333,956	1,767,935	1,630,960	-7.75%
402	Capital Improvements	1,778,465	2,129,490	927,795	-56.43%
605	Waterworks	11,300,433	11,791,670	12,706,545	7.76%
610	Sewerage	4,456,131	3,881,035	4,000,348	3.07%
615	Refuse	4,614,245	4,435,245	4,506,385	1.60%
620	Parking System	773,214	617,015	582,905	-5.53%
701	Health Insurance	7,580,845	-	-	0.00%
702	Liability Insurance	1,694,140	1,847,800	1,974,850	6.88%
710	Fleet Services	1,889,296	1,950,930	1,796,265	-7.93%
801	Police Pension	21,915,083	6,766,000	7,026,000	3.84%
802	Fire Pension	18,524,879	6,583,500	7,093,500	7.75%
825	SSA #5	636,029	586,125	586,225	0.02%
All Funds Revenue Total		**$ 160,861,738**	**$ 122,759,114**	**$ 118,148,164**	**-3.76%**

Attachment: Proposed 2021 Budget Overview (Proposed CY 2021 Budget Review)

Village of Palatine
CY 2021 Proposed Budget - Budget Overview

All Funds Expenditures

	2019 Actual	2020 Adopted Budget	2021 Proposed Annual Budget	% Change
Personnel Services	$ 53,798,898	$ 57,880,865	$ 57,668,495	-0.37%
Supplies	2,009,257	2,396,625	2,250,290	-6.11%
Services & Charges	16,819,180	17,079,673	17,157,319	0.45%
Other Expenses	77,740	27,500	27,500	0.00%
Sub-Total Operations	**$ 72,705,075**	**$ 77,384,663**	**$ 77,103,604**	**-0.36%**
Transfers Out	3,556,360	1,150,000	1,085,000	-5.65%
Pension Benefits & Administration	11,549,873	13,349,500	14,119,500	5.77%
Development (TIF)	8,241,673	4,153,728	2,475,000	-40.41%
Capital Items	11,218,619	14,447,318	11,603,099	-19.69%
Debt Service	13,447,195	10,426,105	9,787,111	-6.13%
Self-Insurance Programs	9,402,971	1,847,800	1,974,850	6.88%
All Expenditures Total	**$ 130,121,766**	**$ 122,759,114**	**$ 118,148,164**	**-3.76%**



Village of Palatine
CY 2021 Proposed Budget - Budget Overview

Fund Expenditure Summary

		2019 Actual	2020 Adopted Budget	2021 Proposed Annual Budget	% Change
100	General	$ 60,919,737	$ 62,242,635	$ 62,061,116	-0.29%
205	Motor Fuel Tax	2,095,152	3,174,495	2,471,375	-22.15%
210	CDBG	987,589	476,996	515,274	8.02%
221	Federal Equitable Sharing	23,060	20,000	20,000	0.00%
222	State Equitable Sharing	2,308	5,000	5,000	0.00%
223	DUI Fines	4,820	16,000	5,000	-68.75%
224	Foreign Fire Insurance Tax	44,538	70,000	70,000	0.00%
231	Dundee Road TIF (TIF #1)	4,408,170	-	-	0.00%
232	Rand/Dundee TIF (TIF #2)	415,000	1,062,228	-	-100.00%
233	Downtown TIF (TIF #3)	5,487,194	6,519,930	4,858,600	-25.48%
234	Rand Corridor TIF (TIF #4)	3,491,529	4,647,765	4,025,115	-13.40%
235	Rand/Lake Cook TIF (TIF #5)	15,489	321,500	5,000	-98.44%
300	Debt Service	5,863,744	1,845,820	1,279,906	-30.66%
401	Capital Equipment	1,828,775	1,767,935	1,630,960	-7.75%
402	Capital Improvements	1,746,392	2,129,490	927,795	-56.43%
605	Waterworks	10,362,963	11,791,670	12,706,545	7.76%
610	Sewerage	3,535,800	3,881,035	4,000,348	3.07%
615	Refuse	4,749,162	4,435,245	4,506,385	1.60%
620	Parking System	765,080	617,015	582,905	-5.53%
701	Health Insurance	7,123,487	-	-	0.00%
702	Liability Insurance	2,279,484	1,847,800	1,974,850	6.88%
710	Fleet Services	1,837,296	1,950,930	1,796,265	-7.93%
801	Police Pension	5,788,706	6,766,000	7,026,000	3.84%
802	Fire Pension	5,761,166	6,583,500	7,093,500	7.75%
825	SSA #5	585,125	586,125	586,225	0.02%
All Funds Expenditure Total		**$ 130,121,766**	**$ 122,759,114**	**$ 118,148,164**	**-3.76%**

Village of Palatine
CY 2021 Proposed Budget - Budget Overview

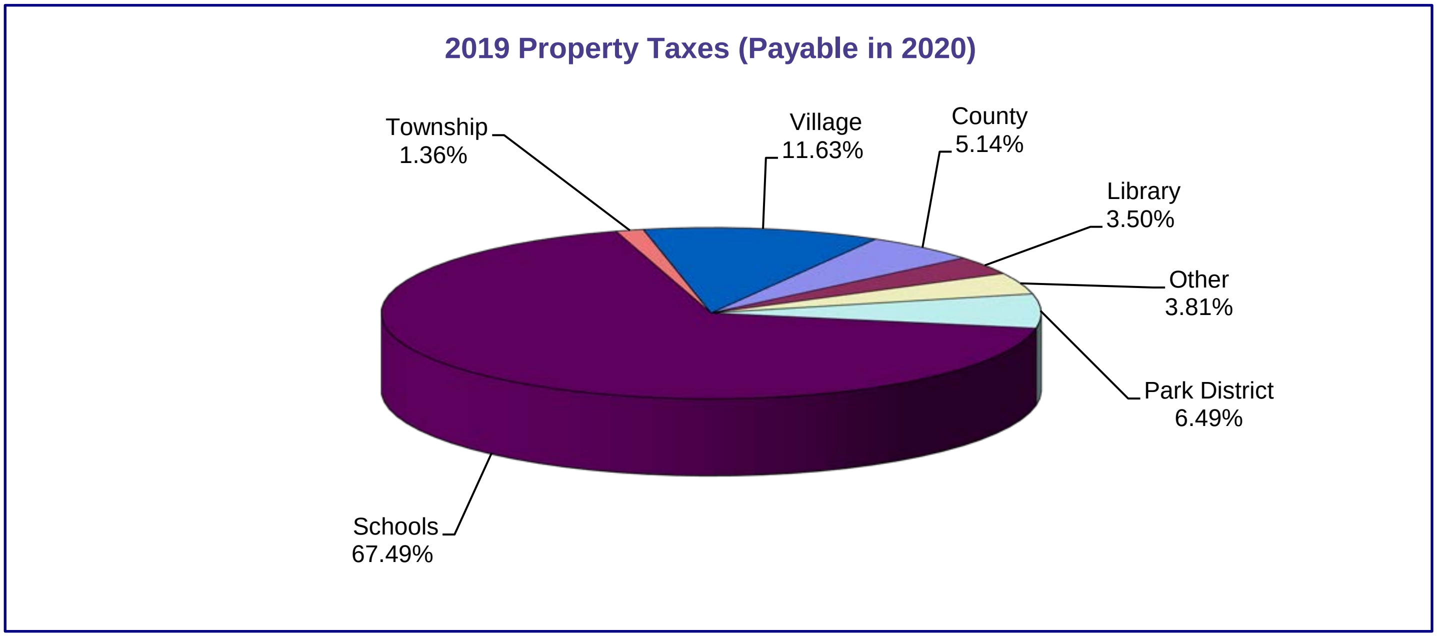
Fund Balance Summary

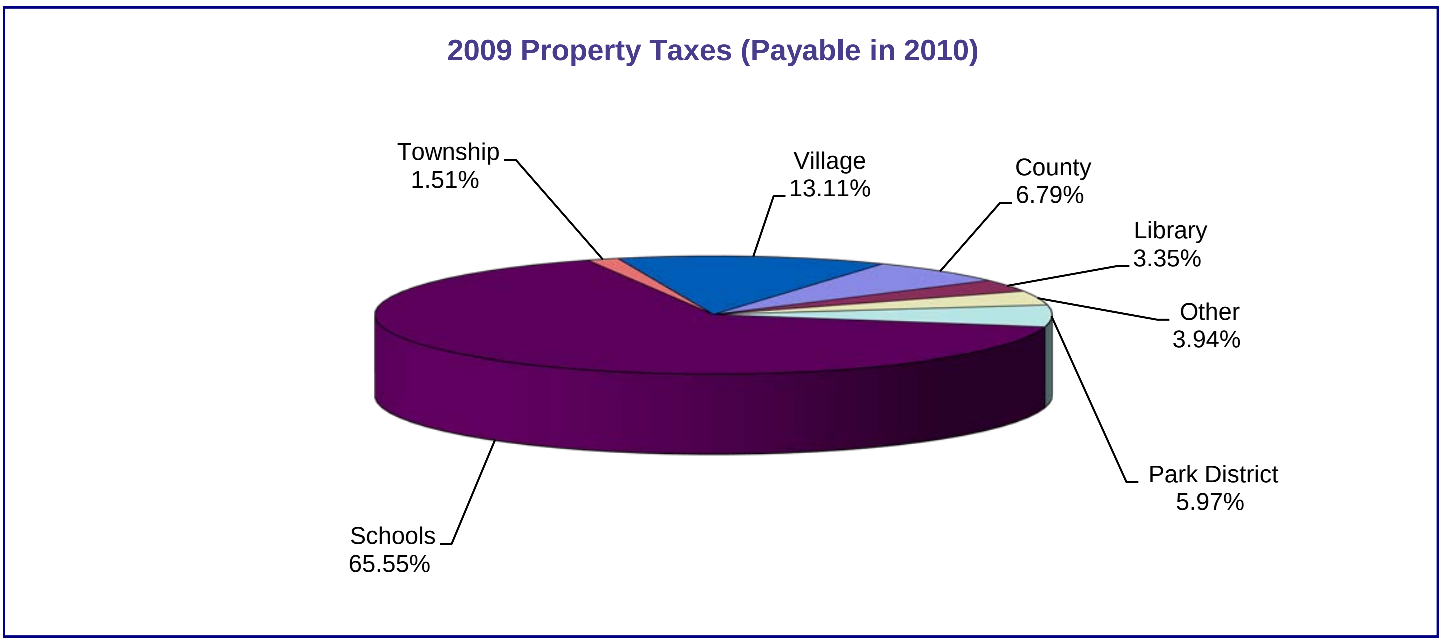
		Estimated Beginning Fund Balance	2021 Projected (Source)/Use of Reserves	Estimated Ending Fund Balance
100	General (Includes Economic Stabilization Reserve)	$ 21,460,341	$ 175,569	$ 21,284,772
205	Motor Fuel Tax	982,064	(221,375)	1,203,439
210	CDBG	-	-	-
221	Federal Equitable Sharing	442,035	-	442,035
222	State Equitable Sharing	283,138	-	283,138
223	DUI Fines	100,189	(15,000)	115,189
224	Foreign Fire Insurance Tax	190,241	-	190,241
231	Dundee Road TIF (TIF #1)	716,292	-	716,292
232	Rand/Dundee TIF (TIF #2)	65,554	-	65,554
233	Downtown TIF (TIF #3)	4,688,124	(1,493,900)	6,182,024
234	Rand Corridor TIF (TIF #4)	5,671,384	623,615	5,047,769
235	Rand/Lake Cook TIF (TIF #5)	790,018	(1,395,500)	2,185,518
300	Debt Service	124,907	-	124,907
401	Capital Equipment	6,139,845	-	6,139,845
402	Capital Improvements	3,989,778	-	3,989,778
605	Waterworks	7,652,292	932,545	6,719,747
610	Sewerage	1,526,251	(450,032)	1,976,283
615	Refuse	799,520	(3,100)	802,620
620	Parking System	1,994,663	288,905	1,705,758
701	Health Insurance	1,573,443	-	1,573,443
702	Liability Insurance	3,972,209	431,350	3,540,859
710	Fleet Services	661,339	30,000	631,339
801	Police Pension	89,825,000	(861,975)	90,686,975
802	Fire Pension	82,860,203	(454,250)	83,314,453
825	SSA #5	1,318,657	(4,825)	1,323,482
All Funds Total		**$ 237,827,487**	**$ (2,417,973)**	**$ 240,245,460**

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





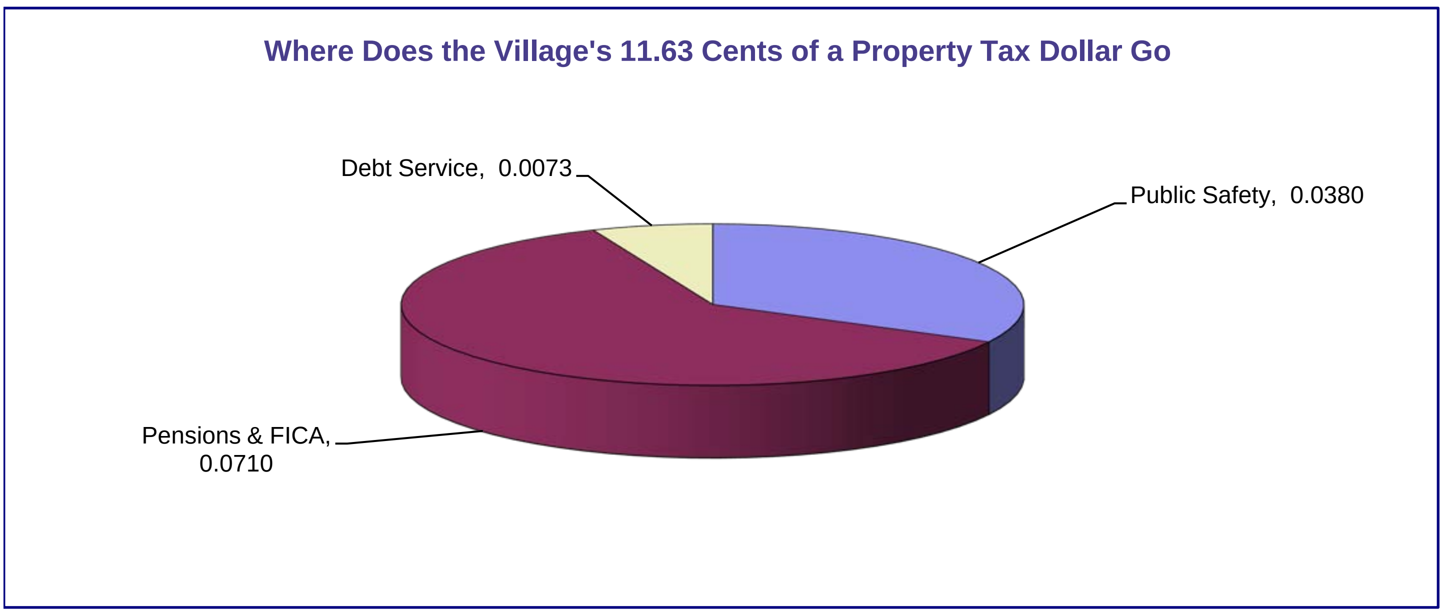
Village of Palatine
CY 2021 Proposed Budget - Budget Overview

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 2021, the Village is proposing no property tax levy increase.



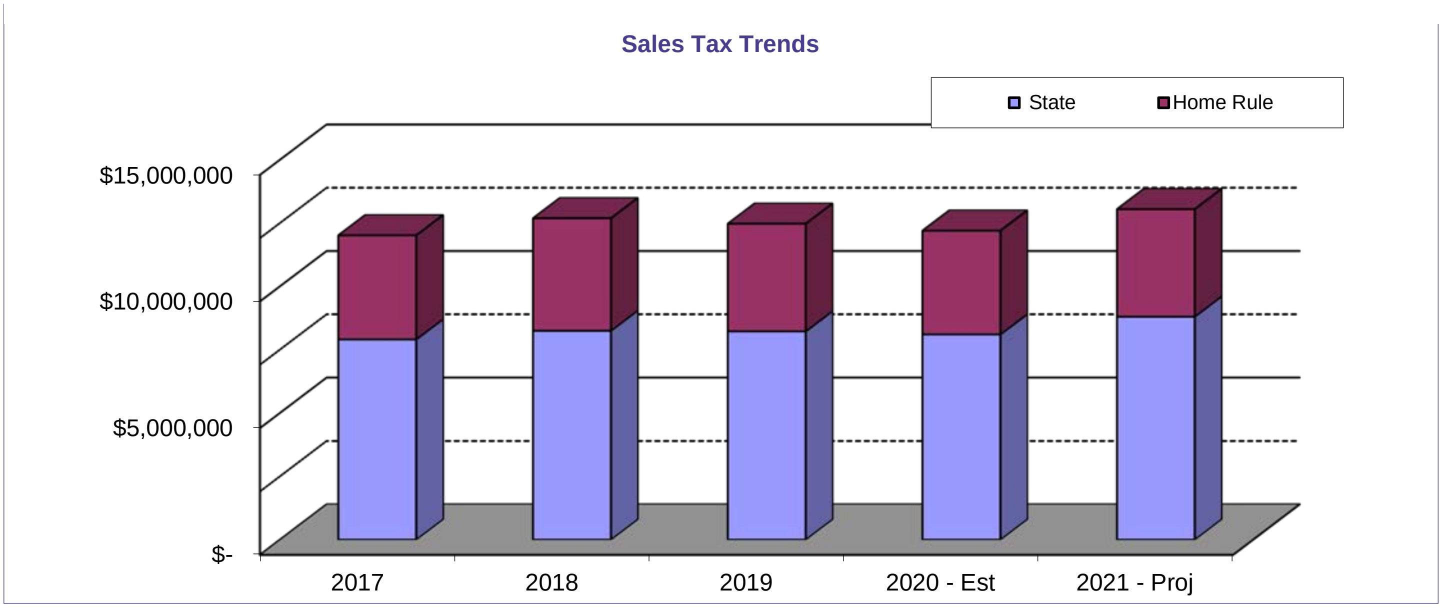
Village of Palatine
CY 2021 Proposed Budget - Budget Overview

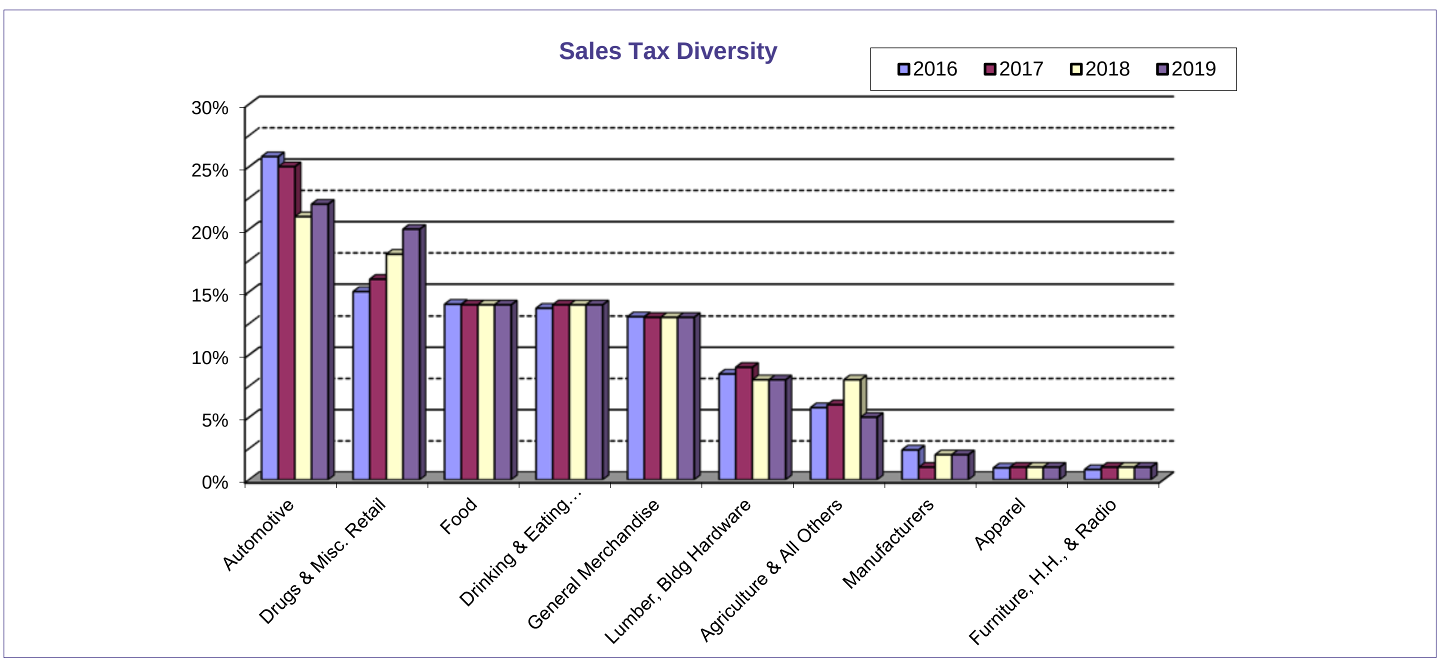
Sales Tax

The CY 2021 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.

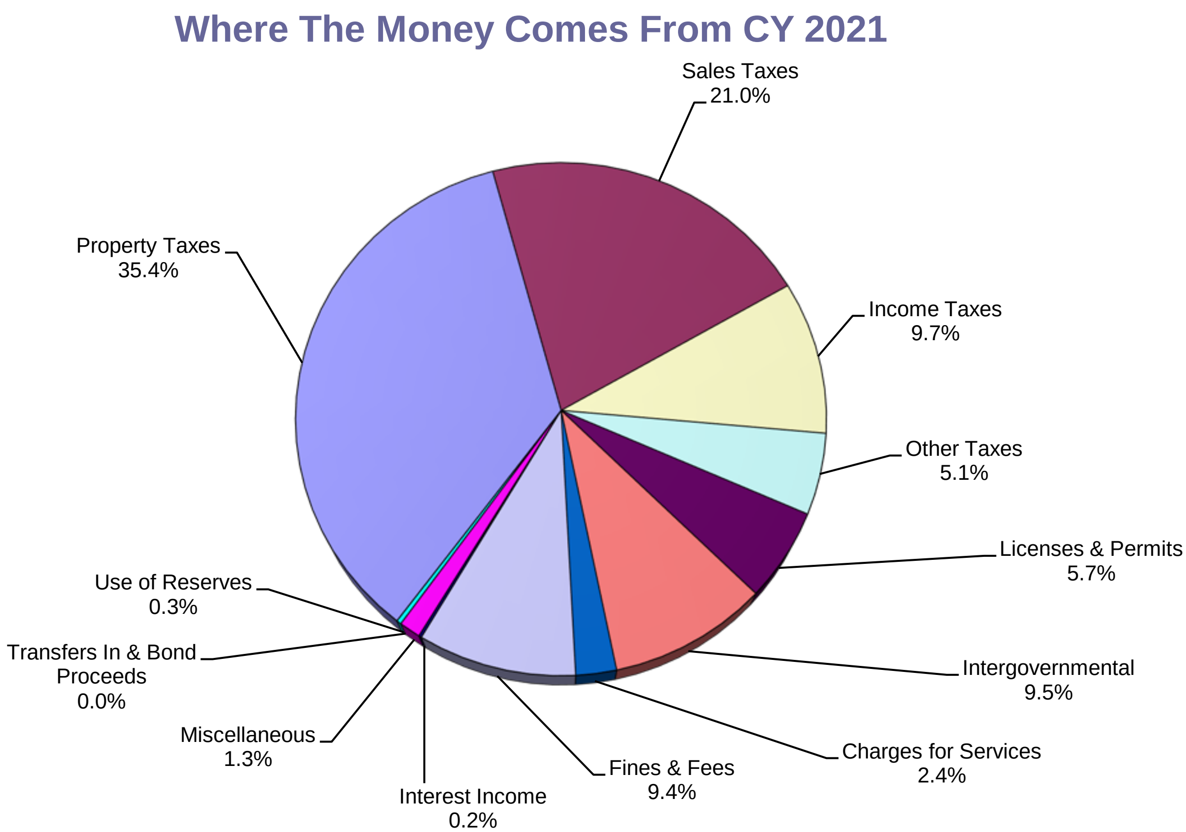
The diversity of the sales tax generators means that if one sector were to experience a downturn, the other sectors would compensate for it. As can be seen, four of the top five producers, excluding automotive, account for 62% of sales tax dollars and are for sectors that are not generally discretionary in nature.





Village of Palatine
CY 2021 Proposed Budget - Budget Overview

General Fund Revenue

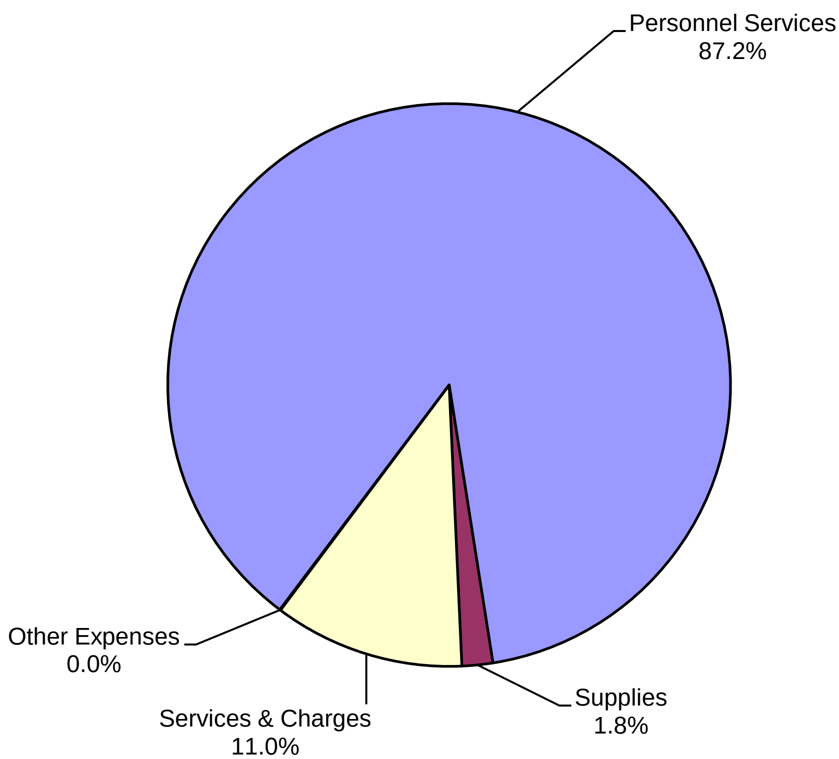


Revenues By Type	2019 Actual	2020 Adopted Budget	2021 Proposed Annual Budget	% Change
Taxes	$ 26,719,976	$ 29,076,944	$ 29,393,068	1.09%
Licenses & Permits	3,609,533	3,384,000	3,564,000	5.32%
Intergovernmental	21,290,468	21,349,390	20,667,625	-3.19%
Charges for Services	1,248,199	1,419,399	1,538,054	8.36%
Fines & Fees	5,996,905	6,161,340	5,824,345	-5.47%
Interest Income	697,884	145,855	101,400	-30.48%
Miscellaneous	789,086	744,725	797,055	7.03%
Transfers In & Bond Proceeds	-	-	-	-
Use of Reserves	-	(39,018)	175,569	-549.97%
Total Revenues	**$ 60,352,051**	**$ 62,242,635**	**$ 62,061,116**	**-0.29%**

Attachment: Proposed 2021 Budget Overview (Proposed CY 2021 Budget Review)

General Fund Expenditures

Where The Money Goes in CY 2021



Expenditures by Type	2019 Actual	2020 Adopted Budget	2021 Proposed Annual Budget	% Change
Personnel Services	$ 50,672,195	$ 54,149,800	$ 54,138,140	-0.02%
Supplies	1,053,564	1,183,805	1,097,920	-7.25%
Services & Charges	6,259,378	6,881,530	6,797,556	-1.22%
Other Expenses	2,934,600	27,500	27,500	0.00%
Total Expenditures	**$ 60,919,737**	**$ 62,242,635**	**$ 62,061,116**	**-0.29%**