



**BUSINESS FINANCE AND BUDGET COMMITTEE
NOVEMBER 1, 2025 AT 9:00 AM**

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

AGENDA

SPECIAL MEETING

9:00 AM

-
- I. CALL TO ORDER**
 - II. ROLL CALL**
 - III. AGENDA ITEMS**
 - A. Consider a Discussion of the CY 2026 Proposed Budget & Capital Investment Plan
 - IV. RECOGNITION OF AUDIENCE**
 - V. ADJOURNMENT**

Consider a Discussion of the CY 2026 Proposed Budget & Capital Investment Plan

BACKGROUND:

Staff is pleased to begin public discussion and review of the CY 2026 Proposed Budget and Capital Investment Plan.

KEY ISSUES:

The CY 2026 Proposed Annual Budget and Capital Investment Plan totals \$152,336,203. Of this total, \$94,518,919 represents the Operations Budget while the remaining \$57,817,284 represents our Capital Budget, TIF Districts, Debt Service, Transfers, Casualty/Liability Insurance Program, and Pension Administration requirements. In total, this represents a decrease of 4.03% over the CY 2025 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 Proposed Budget includes no change to the property tax levy and no new taxes or fees.

A full copy of the proposed budget is available on the Village's website.

The Business, Finance and Budget Committee has a follow-up discussion scheduled on November 3 and November 10, if needed. The required Public Hearing is scheduled for November 17, with the final budget adoption on December 1.

Today's proposed schedule is as follows:

General Overview and Revenues

Operating Budget Review

Capital Investment Plan

Other Non-Operating Expenses

Insurance

Pensions

Economic Development

Debt Service

Questions/Follow-Up

BUDGET IMPACT:

The CY 2026 Proposed Annual Budget and Capital Investment Plan totals \$152,336,203.

RECOMMENDATION:

Staff recommends commencement of the public budget review process.

ACTION REQUIRED:

Action is at the discretion of the Village Council.

ATTACHMENTS:

1. 2026 Budget Message
2. 2026 Budget Overview



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October 2025

Honorable Mayor and Village Council:

While the 2025 Budget served as a milestone for the Village as it was the first budget in over a century that did not include any property tax levy for debt service, the 2026 Budget sets forth the path to ongoing sustainability in our ability to address the future pension and benefits costs of our operating budget and the long-term capital financing needs for our infrastructure. Additionally, the 2026 Budget serves as the first budget for our new Finance Director, who has actively begun the transformation towards a stable future based upon our past successes. The 2026 Budget continues our focus on exceptional delivery of our core services and our fiscal conservatism.

The 2026 Proposed Budget and Capital Investment Plan totals \$152,336,203. The Operations Budget comprises \$94,518,919 or 62% of this total. The remaining \$57,817,284 represents the Capital Budget, TIF Development, Debt Service, Transfers, Casualty/Liability Insurance Program, and Pension Administration requirements. The total budget represents a decrease of 4% over the 2025 Budget.

The Budget continues to focus on our infrastructure with significant investments in our water and sewer system, as well as an expansion to our road program. The Budget prioritizes reinvestment within the downtown area utilizing tax increment financing. This will enhance the aesthetics of the downtown and address parking related matters. The Village will be focusing on the new Dundee Road TIF District as well as completing the feasibility/eligibility study for a new Northwest Highway TIF District. These efforts continue to prioritize sales tax generation, as that provides direct relief to property tax dependency.

Our operating budget maintains our existing service levels, enhances our information technology function through targeted outsourcing, and meets all our statutory obligations



related to employee benefits.

All of this is being accomplished with no increase to the Village property tax levy. We continue to live within our means. The Proposed 2026 Budget will mark the seventh consecutive year of a stable or decreasing property tax levy. In fact, since 2010, the total property tax levy has increased by only 2.45%. A remarkable accomplishment.

As referenced, the 2026 Budget is a decrease of 4% or \$6,401,027 as compared to the 2025 Budget. The decrease is driven by the cyclical nature of our capital budget. The largest project driving this decrease was the full funding for the southwest elevated water storage in the 2025 Budget. This allowed us to reduce the 2026 Budget by \$5 million.

Budget Development and Parameters

The development of a budget is a balance between existing resources (revenues) and demand for those resources (expenditures). It is also about balancing the expenditure side of the ledger between “wants” and “needs”. There are always many more “wants” than “needs”. Maintaining a balance between these competing interests can be challenging – whether in times of economic growth or decline. While we managed our way through a global pandemic and came out on solid financial ground, we now face new challenges and threats with the ever-present mandates from the General Assembly in Springfield, as well as the ongoing uncertainty created in Washington related to tariffs and global trade.

Unfortunately, one of the largest cost components of the budget is completely out of our control when controlling costs. The pension plans that cover all full-time employees are completely at the mercy and discretion of the legislature in Springfield. Recent discussions and considerations could result in an immediate increase in annual costs that is more than \$1.5 million. It is through the unknown issues such as this that cause us to take a very focused approach to controlling our costs and estimating our revenues.



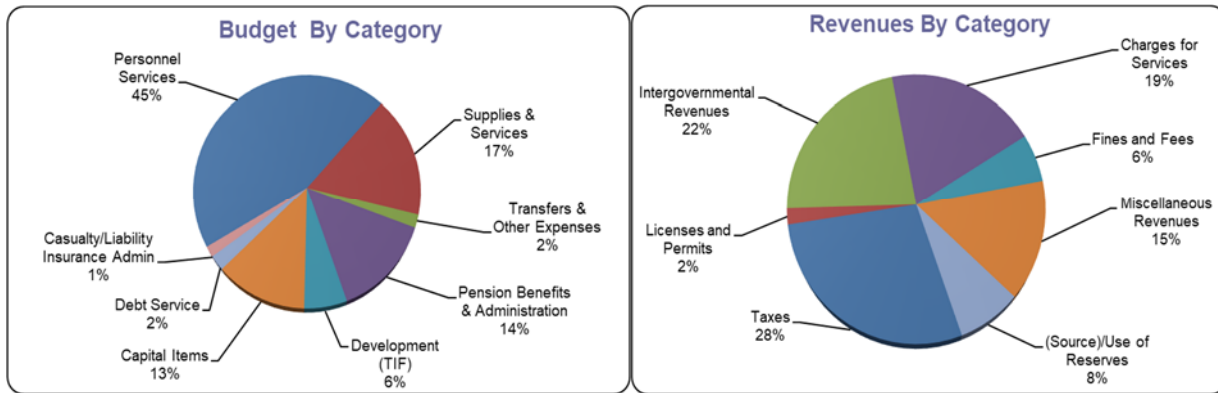
While we hope that the challenges created by the State are minimal and the global pressures on the economy dissipate, the actions the Village has taken in the past have addressed structural shortfalls and focused on long-term financial planning. This allows us to approach 2026 with a look to the future rather than the need for any immediate change.

The 2026 Budget continues to live within the existing revenue streams. As has been a policy of Palatine for many years, any increase in tax rates or other fees was to be a last resort authorized by the Village Council after weighing service and personnel reductions. The Operating budget guidelines we have traditionally used have allowed us to financially perform at a level few have achieved. The guidelines have served us well in both times of growth and contraction. Once again, the budget team approached the development of the 2026 Budget with the following parameters:

- All budgets would be predicated upon providing all our core services.
- Ensure the continued safety of our residents and businesses to receive timely responses to all public safety, public works, and community service needs.
- All non-personnel operating expenditures, including commodities and contractual services be allotted an increase of 2.0%. As this remains under the current rate of inflation, reallocation between programs would be required to stay within the limits.
- 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.
- All employees should be treated equitably, and compensation and benefit levels should be sustainable and market driven across all job classifications. Investment in our human capital is critical to long-term success.

As many of our costs are fixed or cannot be reduced without significant service delivery impacts or direct impacts on public safety, we are fortunate to have a diverse set of revenues that provide stability to the organization.

The following provides an overview of the diverse expenditures we incur as a municipality and the broad revenue base we enjoy.

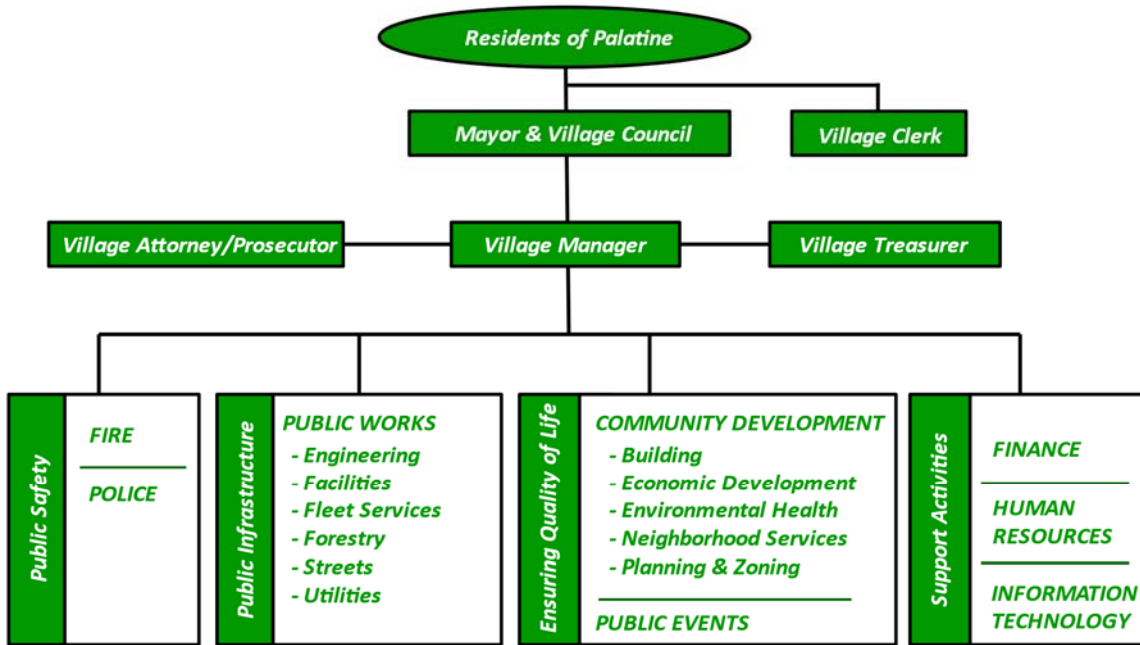


	2025 Adopted Budget	2026 Proposed Budget	2026 % of Total
Personnel Services	\$ 65,467,045	\$ 68,544,752	45.0%
Supplies	2,784,798	2,442,005	1.6%
Services & Charges	22,527,125	23,528,662	15.5%
Other Expenses	27,500	3,500	0.0%
Sub-Total Operations	90,806,468	94,518,919	62.1%
Transfers Out	4,337,000	2,775,000	1.8%
Pension Benefits & Administration	19,917,000	21,239,000	13.9%
Development (TIF)	9,262,283	8,983,740	5.9%
Capital Items	27,283,928	19,281,248	12.7%
Debt Service	4,941,676	3,242,981	2.1%
Casualty/Liability Insurance Administration	2,188,875	2,295,315	1.5%
All Expenditures Total	\$ 158,737,230	\$ 152,336,203	100.00%

As an organization, more than 50% of our expenditures go towards Personnel Services and Pension Benefits. This is a result of being a service organization that is dependent on human capital rather than machines to deliver our product. While we embrace technology and have driven efficiencies over the years, we continue to be dependent on our diverse group of employees.

The following chart reflects the structural organization of the Village workforce.

VILLAGE OF PALATINE - ORGANIZATIONAL CHART



Our public safety, infrastructure, and quality of life functions represent 303 of our 331 full time employees.

Revenues

While our budget is a dynamic and year-round process, things begin in earnest with a detailed review of our existing revenue sources in July. Since 2004, staff have utilized a projection 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 on known factors such as new or closed businesses. This has proven to be dependable despite varying economic and political conditions. The upcoming year brings a lot of uncertainty as we look at the ongoing and

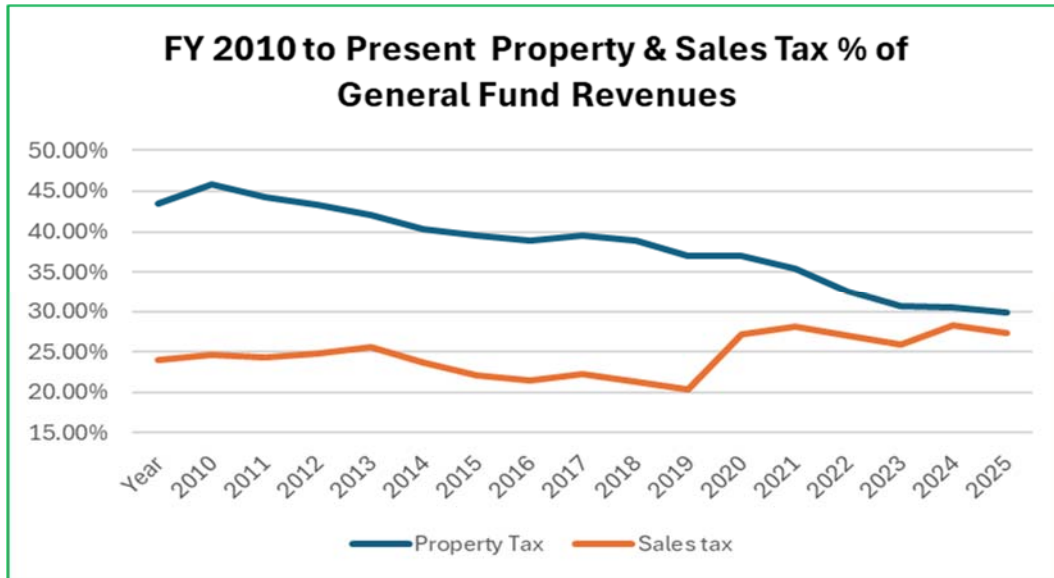


ever-changing tariff discussions and the impact that it is having on pricing, as well as changing tax policies that directly impact our state shared revenues. Concerns exist over a softening economy and the potential for a full recession. These factors have led to some caution in the upcoming revenue estimates.

Highlighted revenues are:

- **Property Tax** – 2026 continues our commitment to maintaining a stable property tax rate. In 2018, the Village Council approved a policy to raise property taxes by 1% per year to help fund the unfunded liability of the police and fire pension plans. This was to be in place through 2028 and then revisited. Based upon our strong financial controls and fiscally conservative approach to budgeting, I am pleased to report that once again, the Budget foregoes any increase in our property tax levy. Over the past fifteen years, our property tax levy has grown by a mere 2.45%, an average of 0.16% per year. The increased pension costs and other rising expenses continue to be absorbed through other revenue growth and our ongoing control of costs.

Additionally, staff has always maintained a commitment to decreasing our overall dependency on the property tax revenues. Ten years ago, in 2015, property taxes comprised 40% of general fund revenues. Now, property taxes comprise only 28% of general fund revenues. Our commitment to sales tax growth and reducing the dependency on property taxes has been outstanding. In fact, in 2026, the property tax levy will be less than \$1 million more than our expected sales tax receipts. In 2015, the spread between the property tax levy and sales tax receipts was \$8.78 million.



- Sales Tax** – Our sales tax receipts have exceeded expectations over the past year. Unfortunately, this is not part of an optimistic message. The inflationary pressures facing our residents with higher prices at the store are, in large part, driving the increased sales tax receipts. With inflation calming, we are back to looking at natural growth in sales taxes. As discussion of a potential recession or significant economic slowdown coming, we have softened our projections for sales tax receipts in the coming year. The 2026 Budget includes \$20,666,600 in combined state and home rule sales tax receipts. This represents an increase of 1.75%. As we look to the future, the sales tax sharing agreement with Deer Park will help boost future sales tax receipts as development commences in their TIF District as well as realizing a full year of sales tax sharing on the Persin Robbins property.

In 2026, sales tax revenues will account for over 27% of our operating budget revenues, the highest level experienced.

- State Income Tax** – As mentioned every year, this revenue source has been very cyclical with multi-million-dollar fluctuations from year to year with no rhyme or reason. This is our most difficult revenue to project. Receipts for 2025 are coming

in well above budgeted expectations. We are cautiously anticipating an increase next year to a total collection of \$12,841,100. This represents an increase of \$374,000 (3%) over where we anticipate ending 2025. This revenue will be monitored very closely throughout the year due to the past history of collections.

- **Building Permit/Inspection/Review Fees** – Building permit activity continues to be a strong performing revenue. These revenues are projected to increase by \$274,000, representing a 12.5% increase.
- **Local Use Tax** – This revenue is the state remittance that covers online sales taxes that are received. The State distributes on a per capita basis. The Local Use Tax distributions from the State continue to fall monthly despite e-commerce continuing to grow. A portion of this decline should be reflected in our regular State sales tax distribution, as many large online retailers are paying through that format. However, there is no good correlation. The Illinois Municipal League (IML) has attempted on numerous occasions to get more information and clarification from the State regarding this decrease, and thus far, has been unsuccessful. Rather than using our model for revenue projection discussed earlier, we are defaulting to what the IML has developed as a revenue estimate based upon trends and new legislative changes. The result is a decrease of \$1.39 million. Staff will be closely monitoring this revenue, similar to the State Income Tax.
- **Ambulance Fees** – In 2022, the Village entered into an agreement that allows for increased payments for Medicaid transports. Under the arrangement, the Village collects the revenues and is then invoiced by the State of Illinois, and must remit 50% of the revenues to the State. As part of the process, the Village evaluates the ambulance transport rates compared to the Medicare/Medicaid rate and comparable communities. The current Village rates are significantly below the rates charged elsewhere and prescribed by the federal programs. As such, the 2026 Budget has an adjustment to the Village rate for transport from \$1,500 to \$3,500. The following represents the anticipated 2026 rate for some neighboring



departments:

Community	Transport Rate
Buffalo Grove	\$4,684
Hoffman Estates	\$4,600
Schaumburg	\$4,495
Rolling Meadows	\$3,500
Inverness	\$3,427
Mt. Prospect	\$3,000
Arlington Heights	\$2,637

With the increase, our ambulance fee revenue is projected to increase by approximately \$750,000. We will be offsetting 50% of that increase as payment to the State.

- Cable TV Franchise Fees** – For many years, the Village has been dealing with significantly decreasing revenues from the telecommunications tax. That had been a primary funding source for our capital program and is further discussed in the capital section. Now we are experiencing similar declines in the cable franchise fee, which is on cable services. With the move to streaming and “cord-cutting,” this revenue is now showing significant decline. As recently as 2022, the Village received more than \$1 million. This dropped to \$915,371 in 2023; \$807,155 in 2024, and is projected to be only \$702,800 in 2026. Staff will closely monitor this revenue source to see if there is stabilization. If the decline continues, the Village



will need to look towards alternative revenues to help fund our operations.

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 2026, this represents an increase of 2.66%.

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.

Healthy reserves not only allow the Village to address a financial decline but also to pursue opportunities for grant funding that often come with a local match. Over the years, we have been very aggressive in the grant arena – due in large part to our healthy reserves.

The Budget anticipates 2025 will mark the 22nd 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 2026 in that same position as well. This meaningful accomplishment demonstrates the commitment of the Council and Village leadership to fiscal constraint. 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 should we need to return to the bond market.

The targeted operating reserves set by the Reserve Policy are at levels considered prudent to provide uninterrupted municipal services and preferred bond ratings. These



reserves serve as a stabilizer during reduced revenue collections, which in turn allows for a consistent delivery of our most important services.

The General Fund operating reserves are approximately \$25.2 million, which falls at the upper end of the three to four-month policy range. This does not include the Economic Stabilization Reserve, which is \$2.5 million, or the Economic Opportunity Fund Reserve of \$1.0 million, both fully funded and available at the discretion of the Council. The reserve also excludes \$0.5 million for the Fire Pension Fund and \$0.3 million for the Health Insurance Fund, earmarked to be expended in fiscal year 2026 to smooth significant cost increases outside of the Village's control.

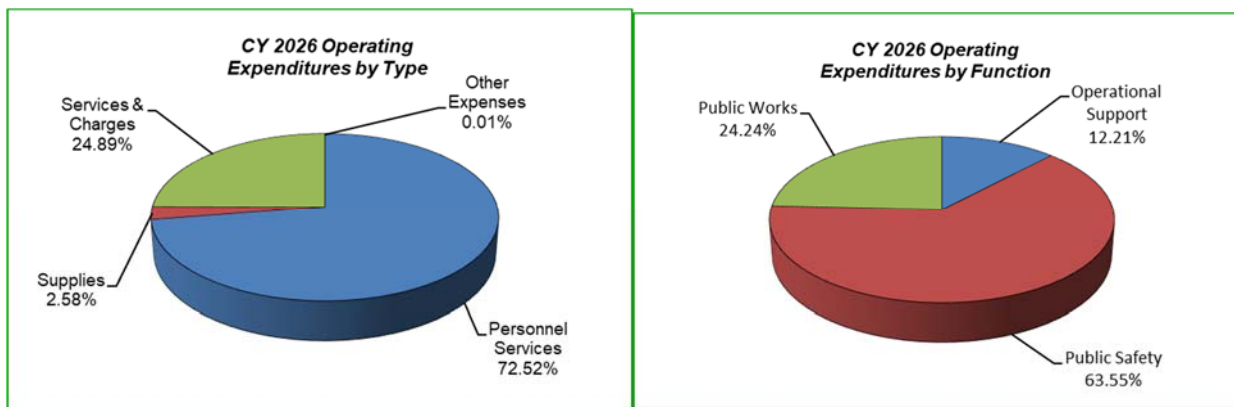
In the case of capital-related reserves, these funds are considered sinking funds. It would not be fiscally prudent or responsible to fund current capital expenditures with current dollars, nor to issue bonds for all capital purchases. In this case, these reserves can be likened to a savings account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

Annual Operating Budget

The entire Village organization is committed to delivering on our core services in the most cost-effective and efficient manner. This becomes challenging when faced with high inflation, rising pension expenses, and health insurance costs. With the Village being a service organization that is heavily dependent on people to perform the services, these costs will drive operating expenditures. The total operating budget increase is 4.09%.

Our operating expenditures are summarized as follows:

Expenditures by Category	Adopted 2025	Proposed 2026	% Change
Personnel	\$65,467,045	\$68,544,752	4.70%
Supplies	2,784,798	2,442,005	-12.31%
Services & Charges/Other	22,554,625	23,532,162	4.33%
Total Operations	\$90,806,468	\$94,518,919	4.09%



As mentioned, we are a service business, and the services continue to grow as demand increases. Protecting the public safety, maintaining the infrastructure, and ensuring a high quality of life takes a dedicated workforce, and with people come costs. Over 90% of our employees work directly in our field services (Police, Fire, Public Works, and Community Development).

Personnel costs represent 72.5% of our operating expenses. This is the largest cost component of the entire budget, especially when factoring in pension and insurance related costs. As such, it is paramount that we focus on always controlling our personnel costs and balancing any increase or decrease in positions with the needs of the residents. Over the past 25 years, the Village has maintained one of the lowest per capita staffing levels found in the suburban area. As benefit costs continue to rise through outside influences, our low headcount has allowed the Village to live within our means and limit tax adjustments.



The 2025 Budget reflected an increase in our workforce as we restructured the police department with a new Community Engagement division. Now, the 2026 Budget also shifts our employee count as we look towards some targeted outsourcing. In 2026, our full-time workforce will decrease by two positions and total 331 employees. This puts us below our full-time staffing from 27 years ago, despite an increase of nearly 15,000 people and an increase in land area of 25%.

PERSONNEL CHANGES OVER PAST 25+ YEARS

Date	Full-Time Employees	PT/Seasonal Employees
January 1, 1999	333	72
January 1, 2004	354	50
January 1, 2009	366	67
January 1, 2014	339	59
January 1, 2019	330	63
January 1, 2024	330	52
January 1, 2025	333	48
January 1, 2026	331	44

Departmental Budgets and New Initiatives

Following a decade of increasing State mandates and funding cuts followed by a global pandemic impacting our revenues and service demands, the past several years brought some stability in our operating revenues and programs. This allowed the Village to create the Planning and Community Engagement Division within the Police Department. That division has been very beneficial in better interacting with the public, especially in the current political environment. With that change last year, 2026 is generally focusing on maintaining the status quo and closely monitoring the economy for any potential impacts on our revenues and, thus our ability to fund our operations.



While 2026 is generally status quo, some of the more notable initiatives and realignments for CY 2026 include:

- **Information Technology Department Restructuring** – The Information Technology Department will have a full year of outsourcing our network operations. This follows the retirement of one of our long-term employees. The outsourcing will bring greater depth and background to help move the organization forward. The Village will also pursue outsourced database administrator services should there be a need. Additionally, the IT Department has achieved success with the outsourcing of our GIS function several years ago. As such, we are now able to scale back the outsourced hours, leading to a savings of \$40,000 per year.
- **Community Development Plan Review Process** – In 2025, the Community Development Department returned to utilizing in-house personnel for the majority of the building permit reviews and enhance the customer service side of this function. This has been very successful and will continue in 2026, leading to a reduction in outsourced plan review.
- **Communications and Village Volunteers** – While the Village staff plays a significant role in accomplishing the tasks at hand for the Village, there is also a large group of residents who volunteer their time through service on our various boards and commissions. They put forth numerous hours to help serve the organization and the public. In 2026, the Village will be continuing an old tradition of recognizing the volunteers through a recognition dinner. The funds for this event will alternate each year with the favorably received Annual Report that was done in 2025. Moving forward, an allocation of \$19,000 will be used in even years for the recognition event and in odd years for the annual report.

- **Personnel Changes** – Wages are scheduled to adjust based upon contractual obligations and market conditions. It is anticipated that the Public Works and Fire contracts will be approved prior to the adoption of the 2026 Budget, and wages have been projected in the budget to meet these contractual obligations. The Police contract expires at the end of 2025, and as of the time of this writing, the Police Union has yet to request a first bargaining session. Our non-represented employees will have their ranges adjusted based on market conditions and the funds appropriated in the budget. Management employees are all subject to performance-based increases. The Village Manager will make any necessary equity adjustments and reclassifications within the budgeted funds.

Pensions

Aside from Health Insurance, our pension contribution obligations are one of the largest drivers in the development of our budget, and unfortunately, not something that we can directly control. By State statute, the Village is mandated to fund pension benefits for all municipal employees. The Illinois General Assembly determines the benefits afforded to our employees, as well as the employee contributions. Five years ago, the State moved forward with a plan to consolidate the police and fire pensions throughout the State. In the long term (10+ years), this should drive smaller increases in funding requirements due to economies of scale. It will now take several years to begin seeing the operational efficiencies of consolidation and hopefully stronger returns matching those of the Illinois Municipal Retirement Fund (IMRF). Another contributing factor towards stabilizing these costs is the shift to more Tier 2 pension employees. The State created a Tier 2 pension approximately 14 years ago. The Tier 2 pension still provides a very generous pension – one that far exceeds social security benefits, which all Village employees will also receive. The shift to Tier 2 has been slow but steady. As of October 2025, 37% of the Village workforce is a Tier 1 participant, while the remaining 63% are Tier 2.

The 2026 Budget includes \$14,636,244 to meet the statutorily required contributions we face for our three pension systems. Unfortunately, this represents a larger increase than anticipated in our long-term financial planning. This is an increase of \$964,704 over last



year. Of this amount, the Fire contribution increased by \$697,182, while Police increased by \$257,542, and IMRF (civilian employees) increased by \$9,980. These increases are despite the fact that the Village has made extensive supplemental contributions over the past 10 years. The largest increase in Fire is due to a smaller percentage of Tier 2 employees than originally anticipated, as well as other factors impacting the mortality tables used by the actuaries. To offset some of the unexpected increase, the Village Council authorized the appropriation of \$500,000 of the 2025 surplus money to help offset the Fire increase in 2026.

Insurance

The Budget continues to fund the Village's self-insurance program for our liability insurance. The market for this insurance continues to see significant increases due to natural disasters throughout the country (hurricanes, flooding, wildfires), civil unrest, and a generally negative view by insurance companies of the courts (particularly Cook County). This has led to yet another year of significant rate increases for both our workers compensation and liability insurance. We will not have final rates until December after the budget adoption is completed, but early indications are an increase of \$84,000 or 8.4% for our self-insured liability program.

In 2020, the Village joined the Intergovernmental Personnel Benefits Cooperative (IPBC) for our health insurance coverage. Previous reviews of performance in IPBC compared to the general market trends indicate we saved money with this change. Through our first four years, our savings were estimated to be over \$1 million. Unfortunately, the coming year was looking at an increase of 10.6% or \$747,505. This was not due to our group's performance but general medical inflation issues. Alternative plan designs were evaluated, as well as changes in deductibles and networks, to try to soften the impact. The Village's non-represented workforce will be utilizing a narrow PPO plan that still includes the previous plan. This will result in an increase of 6.7% for the non-represented



employees. Both the Fire and Police Unions declined participation in the new PPO plan and as such, they will be experiencing rate increases of 12.8%.

The Public Works union employees remain in a separate plan through the Operating Engineers Union, and we anticipate those costs will be increasing. Our past Public Works collective bargaining agreement requires the employees to cover the difference of their insurance plan that exceeds that of other employees and thus, any increased costs will be offset by employee contributions.

Annual Capital Investment Plan

The 2026 Capital Investment Plan continues our proactive approach to maintaining and investing in our roads, underground utilities, facilities, and equipment. The Capital Investment Plan for 2026 totals \$19,281,248. While this is a decrease of approximately \$8 million from 2025, last year included \$5 million for the proposed elevated water storage near Harper College, which will complete our conversion to a three-zone water system.

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 will 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 has allowed us to not only maintain our annual capital investment, but establish adequate reserves to address unforeseen situations or emergency repairs and replacements, as well as aggressively pursue grant opportunities – many of which have matching funds requirements.

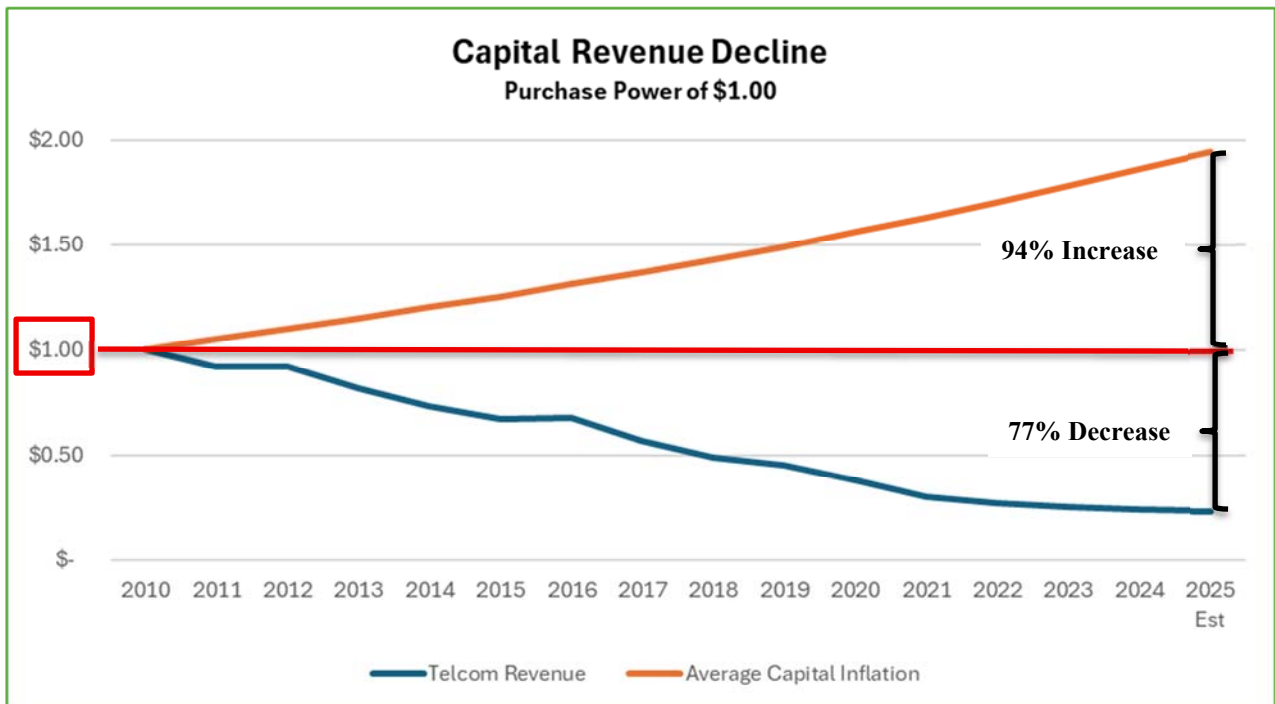
The Village was the recipient of \$12 million in ARPA funds that helped us continue our infrastructure investment over the past four years. That, coupled with aggressive pursuit of grants, provided nearly \$25 million over the past four to five years, which allowed us to



not only maintain but be proactive in our capital programming. Despite our grant success, we cannot always be dependent or hopeful on additional grant opportunities.

Unfortunately, our primary capital revenue is almost non-existent. The Telecommunications Tax is projected to generate only \$653,000 in 2026. This annual decline has reached a new low. As recently as 2010, the Telecommunications Tax generated \$2,796,000. This decrease has caused the Village to redirect \$2 million in electric utility tax receipts to the capital budget to allow programs to continue. These were dollars that were established to help fund operations. Additionally, \$1 million of property tax revenues that previously covered our outstanding debt service have been redirected to the capital budget.

The presentation of the 2025 Budget indicated that the five-year capital plan remained intact; however, there will be a need for a new funding source to fund the future without having a significant impact on operations. Capital expenses have risen 4% to 5% annually over the past decade. This is at a time that our primary funding source (Telecommunications Tax) has plummeted.





While the 2026 Budget does not include a new capital revenue source, staff believe a decision needs to be made as to the future of capital funding in advance of the 2027 Budget. Waiting beyond that time will require a significant reduction in capital sinking funds to keep our program moving forward. This, in turn, could impact our ability to secure additional grant funding. Fortunately, there are many revenue sources that are commonly used in other communities to fund capital improvements that have never been utilized in Palatine and could provide some options. The table below shows some of these options.

New Revenue Sources for Capital Expenditures (annually)

Source	Per Household	Total Revenue
Natural Gas Tax	\$80	\$1,453,000
Local MFT	16	441,000
Streaming Tax	68	946,000
Levy Increase*	46	1,000,000

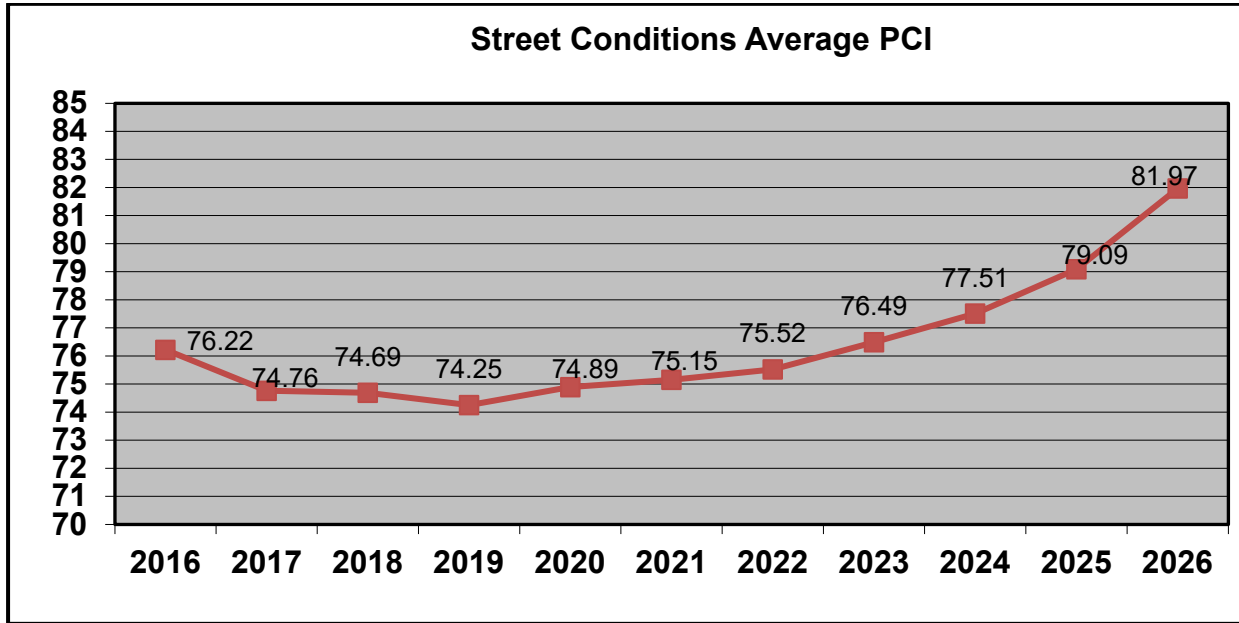
**The Levy increase is based on an \$350,000 Assessed Value using the 2024 Village of Palatine Tax Rate.*

The following sections highlight the Capital Investment Plan for 2026.

Street Maintenance Programs

The Village has the responsibility for maintaining 436 lane miles of streets throughout the community. On an annual basis, half the streets are physically evaluated/inspected and assigned a numeric rating (1 to 100) utilizing a computer model. When streets fall below 60, they generally begin to enter the five-year capital plan for resurfacing. Historic and present funding levels for street maintenance have been designed to provide a street system throughout the Village that carries an average rating in the lower “very good” range (70-75 PCI). The projected PCI value for 2026 is 81.97, which represents the highest rating in 20 years. This is a result of the 10 Year Street Improvement Plan approved by the Village Council in 2020.

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



The street program has evolved to be a combination of contractual resurfacing and an increasing complement of in-house resurfacing. The addition of our personnel performing street resurfacing has helped not only improve the overall quality of the streets but also drive cost savings.

The annual contractual resurfacing program for 2026 includes \$4.5 million for the following streets to be resurfaced:



2026 PROPOSED RESURFACING LIST - CONTRACTUAL

STREET NAME	FROM	TO
ALISON DRIVE	NORMAN DRIVE	WILKE ROAD
CARRIAGE WAY CIRCLE	MEDFORD DRIVE	CUL-DE-SAC
CARRIAGE WAY COURT	CARRIAGE WAY LANE	CUL-DE-SAC
CARRIAGE WAY LANE	CARRIAGE WAY COURT	MEDFORD DRIVE
E. NORMAN DRIVE	ANDERSON DRIVE	RICHARDS DRIVE
ELM COURT	ELM STREET	CUL-DE-SAC
EXNER COURT	QUENTIN ROAD	CUL-DE-SAC
FLAKE DRIVE	DEAN DRIVE	MORRIS DRIVE
FOSKETT DRIVE	WILLIAMS DRIVE	KITSON DRIVE
GOLFVIEW TERRACE	SMITH STREET	CUL-DE-SAC WEST
HARVARD COURT	ILLINOIS AVENUE	CUL-DE-SAC
HELEN ROAD	OAK STREET	HICKS ROAD
HIGH GROVE LANE	GARDENIA LANE	CUL-DE-SAC SOUTH
HUNTING DRIVE	MALLARD DRIVE	CUL-DE-SAC
KERRY COURT	CEDAR STREET NORTH	CEDAR STREET SOUTH
KING EDWARD COURT	DUNDEE ROAD	KING GEORGE COURT
KRISTA COURT	KRISTA LANE	CUL-DE-SAC
KRISTA LANE	GLENCOE STREET	KRISTA COURT
LANARK LANE	GILBERT AVENUE	CUL-DE-SAC
LYTLE DRIVE	MORRIS DRIVE	FLAKE DRIVE
MICHIGAN AVENUE	PLUM GROVE ROAD	OAK STREET
OAK STREET	DANIELS ROAD	HELEN ROAD
OAK STREET	GILBERT ROAD	MICHIGAN AVENUE
OAK STREET	WOOD STREET	PALATINE ROAD
OLD HICKS ROAD	NICHOLS ROAD	END OF C&G
PARALLEL STREET	END OF NEW STREET	NORTHWEST HIGHWAY
PARK PLACE DRIVE	ILLINOIS AVENUE	CUL-DE-SAC
PLUM TREE COURT	PLUM TREE LANE	CUL-DE-SAC
PROVIDENCE ROAD	HICKS ROAD	WILLOW WOOD DRIVE
N. NORMAN DRIVE	WINSTON DRIVE	RICHARDS DRIVE
SLIPPERY ROCK DRIVE	PARKSIDE DRIVE	CUL-DE-SAC WEST/WEST
STERLING AVENUE	DUNDEE ROAD	NORTHWEST HIGHWAY
ST. MARKS PLACE	DUNDEE ROAD	ST MARKS PLACE SOUTH
SUTHERLAND COURT	CARPENTER DRIVE	CUL-DE-SAC
VERMONT STREET	ILLINOIS AVENUE	CUL-DE-SAC
WENTE COURT	CARPENTER DRIVE	CUL-DE-SAC
WILLOW WOOD DRIVE	PROVIDENCE ROAD	SALT CREEK BRIDGE
WILTON COURT	STARK DRIVE	CUL DE SAC



2026 PROPOSED RESURFACING LIST - CONTRACTUAL (TIF DISTRICT)

STREET NAME	FROM	TO
SLADE STREET	GREELEY STREET	PLUM GROVE ROAD

Additionally, our in-house efforts will resurface the following streets.

2026 PROPOSED RESURFACING LIST - IN-HOUSE

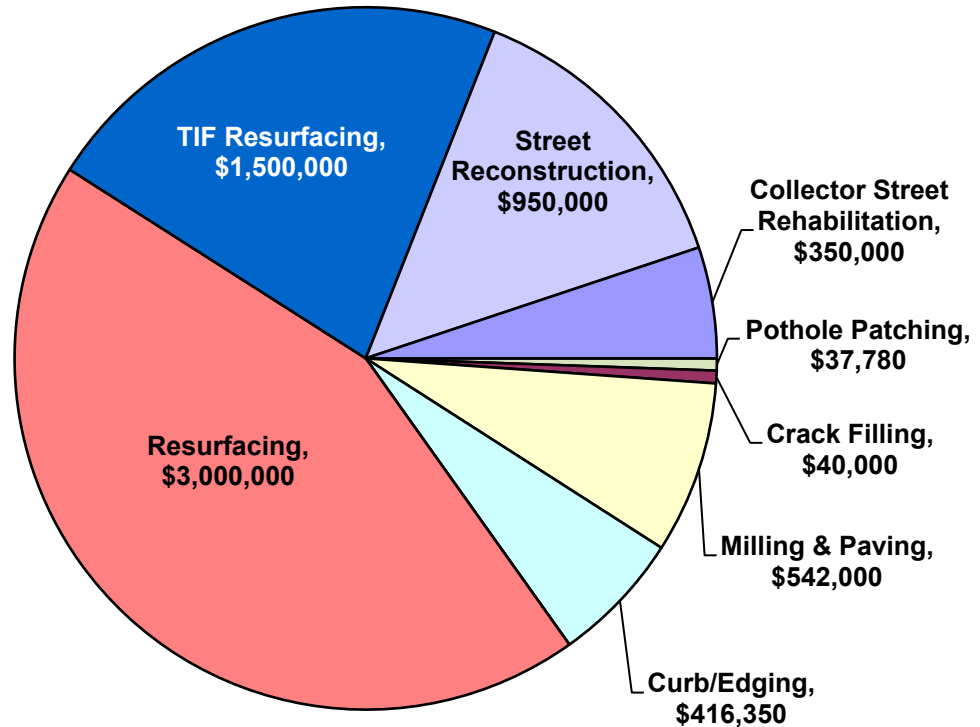
STREET NAME	FROM	TO
AUTUMN ROAD	PALOS AVENUE	CUL-DE-SAC WEST
BALSAM LANE	VENTURA DRIVE	ROHLWING ROAD
BALSAM LANE	CUNNINGHAM DRIVE	VENTURA DRIVE
CAPRI DRIVE	LYNDA DRIVE	DENISE DRIVE
CLARIDGE COURT	GROVE AVENUE	CUL-DE-SAC
COLFAX STREET	LINDEN AVENUE	MARION STREET
DANIELS ROAD	GREELEY STREET	PLUM GROVE ROAD
EVERETT DRIVE	WINSTON DRIVE	REYNOLDS DRIVE
FARM GATE LANE	COUNTRY LANE	HICKS ROAD
GLENCOE ROAD	HARRISON AVENUE	MIDDLETON AVENUE
GLENCOE ROAD	MIDDLETON AVENUE	QUENTIN ROAD
GROVE AVENUE	145' N. OF CLARIDGE COURT	WINNETKA STREET
HIDDEN HILL LANE	MIDDLETON AVENUE	CRESCENT AVENUE
JOAN DRIVE	WINSTON DRIVE	RICHARDS DRIVE
KENILWORTH AVENUE	QUENTIN ROAD	ELM STREET
KENILWORTH AVENUE	ELM STREET	CEDAR STREET
LINDEN AVENUE	AMHERST STREET	CUNNINGHAM DRIVE
LINDEN AVENUE	ROBERTSON STREET	COLFAX STREET
LYNDA DRIVE	DIANE DRIVE	DUNDEE ROAD
MICHELLE DRIVE	WINSTON DRIVE	RICHARDS DRIVE
PINE STREET	KENILWORTH AVENUE	DEAD END NORTH
ROBERTSON STREET	NORTHWEST HIGHWAY	MARION STREET
ROHLWING ROAD	132' N. OF LENOX LANE	CUNNINGHAM DRIVE
SARATOGA DRIVE	MILL VALLEY ROAD	MONTEREY ROAD
THURSTON DRIVE	WILLIAMS DRIVE	SANBORN DRIVE
WINNETKA STREET	DEER AVENUE	GROVE AVENUE
WOOD STREET	MIDDLETON AVENUE	QUENTIN ROAD
WOOD STREET	CLYDE AVENUE (CL)	MIDDLETON AVENUE

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

- **Crack-filling:** This activity is normally performed in the first three to four years after a street is constructed or resurfaced.
- **Milling & Patching:** This activity has significantly expanded over the past 12 years. Historically, patching of streets precedes resurfacing by two or three years and in other cases, it will address isolated problems. To better manage the growing number of streets in the lower end of acceptable limits (PCI of 50-69), an expansion of this program has occurred over the past decade.
- **Curb and Gutter:** There are multiple programs designed to extend, repair, and upgrade curb and gutters throughout the Village. These programs include spot curb repair, 50/50 curb replacement, concrete edging, as well as repairs to curbing under the street resurfacing program.
- **Street Rehabilitation/Reconstruction Program:** This effort will vary from year to year and started 15 years ago. The program has evolved to include rehabilitating pavement, improving drainage, and installing concrete curb on roadways serving as the primary entry point into a neighborhood as well as reconstruction of roads when resurfacing no longer makes economic sense. In 2026, this program will target the rehabilitation of Kerry Court with an allocation of \$950,000. Additionally, South Vermont Street and East Helen (from Oak to Hicks) are scheduled for rehabilitation and resurfacing.

The dollars budgeted for the comprehensive street program are allocated as follows:

Distribution of Street Maintenance Budget



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 and facilities throughout the Village. While these investments are all discussed in detail in the budget document, some highlights and higher cost or new items include:

- Information Technology Equipment** – A number of years ago, when faced with significant financial pressures from the pandemic, the Village moved to a seven-year replacement cycle for the desktop, laptop, and tablet devices. While this provided cost savings, it has also caused functionality issues. The 2026 Budget begins the return to a five-year replacement cycle, which will be fully completed with the 2028 Budget. Part of this will also include a review of the assignments of laptops versus desktops, as there is a large price difference in the devices.

- **Fiber Optic Network** – As fiber optics have evolved to be the preferred means of connecting Village facilities, we continue to plan for the future. As we expand our network, we also partner with other units of government to allow them to benefit from our expansion and offset a portion of our costs. In 2026, we will be providing fiber connection to portions of our water system, as well as add fiber within the downtown area as we undertake significant street improvements. The total fiber costs for 2026 are \$575,715. Over a 10-year period, we anticipate an investment of approximately \$2.75 million. A portion of this investment will allow the Village to drop the use of leased fiber lines, resulting in a positive impact on our operating budget.
- **Equipment/Vehicles, Facility Upgrades and Capital Improvements** – The Budget continues with implementation of the Vehicle Equipment and Optimization Plan, as well as our other structured replacement programs. Maintaining our front-line equipment and facilities is critical to delivering on our core services.

The 2026 Budget includes funds to adhere to our plan. Highlights of the equipment, vehicle, and facility projects include:

- \$764,735 PW vehicles – 8 trucks of various sizes
- \$740,000 Sidewalk replacement and extension
- \$375,000 Facility Roof Replacements

The Budget had originally contemplated the replacement of 6 vehicles for the police department. These received advanced funding by the Village Council in 2025 and thus have been removed from the 2026 Budget.

Water and Sewer Funds

The 2026 budget allocates over \$7.2 million towards our water, storm sewer and sanitary sewer systems.



In order to fund these programs into the future, the Budget recommends an increase of 6.6% to our water rate. While the increase as a percentage is large, we remain one of the lowest rates in the suburbs, with the only communities under Palatine being communities with direct access to Lake Michigan. The Village will be undertaking a comprehensive review of our water and sewer program during the coming year. Additionally, it is anticipated that our water supplier, the Northwest Water Commission, will be entering into a new, long-term supply contract. With the internal study and long-term certainty, we will develop a new 10-year rate recommendation in 2027.

Highlights of our upcoming underground improvements include:

- **Water Main Replacement/Extensions/Looping (\$4,135,023)** – This infrastructure improvement continues to move the Village forward with more water main replacements and eliminating dead ends in the system to improve system performance and redundancy.
- **Water Tank Maintenance (\$1,334,000)** – This will allow for the long-term maintenance of our above-ground water storage system. Depending on the location and year, this can include anything from a repainting of a tank to complete rehabilitation.
- **Storm and Sanitary Sewer Sliplining (\$260,000)** – This program provides a new lining to the sewer systems to better control flow and reduce back-ups.
- **Pump Station Improvements (\$225,000)** – This activity will include the replacement of much of the system at the Countryside Pump Station.

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 effort includes the creation of a new TIF District in 2025 that will assist in the redevelopment of the Dundee Road/Route 53 area. Additionally, a study is underway to evaluate a TIF District along Northwest Highway that would run from the Village's eastern border to Palatine Road.

The Downtown TIF District was due to expire on December 31, 2022. With the support of the local taxing agencies, the Village successfully received an extension of the TIF District through the Illinois General Assembly in 2022. With the extension as well as the commitments made to our local partners, the Village captured the increment in 2023 and 2024 and began a 100% rebate all the increment in 2025. The rebate of increment is carried as a cost of \$7.8 million in the Budget. Additionally, in 2026, there is \$2,225,000 to begin the improvements of Slade Street and the adjacent pedestrian right-of-way. The Budget also continues to advance the Smith and Colfax drainage improvement with construction anticipated in 2027.

2026 will mark the completion of the Rand/Dundee TIF District. The Village will be evaluating the existing Redevelopment Agreements to confirm completion of all requirements, as well as any remaining projects for completion prior to the retirement of this TIF District in 2027.

Refuse Fund

Based upon our current contract with Groot and the volume of refuse being collected, there is no increase in the refuse rate for 2026. The contract is due to expire on December 31, 2026. The Village will undertake a competitive process to solicit pricing for a new, long-term contract. Once this process is completed, a 5-year refuse rate plan will be developed.



Debt Service

The Village is on the verge of having retired all the outstanding debt. What is still owed, has been accounted for in a debt service reserve fund and there is no longer any revenue collection for the purposes of paying our debt. This debt service reserve account has the amount required to pay all debt as it comes due with a final payment of December 31, 2029. While there are no plans for any new debt, the Village maintains an AA+ bond rating from Standard & Poor’s. This strong rating would help drive lower interest rates for any borrowing done by the Village.

As for current debt service, the budget includes an appropriation of \$3,241,556 for the annual principal and interest on the Village’s outstanding general obligation debt. As just noted, there is a debt service reserve for the property tax supported debt. The sources of the debt service payments are listed in the chart below.

Sources of Debt Service Payments 2026

Source of Payment	Principal & Interest	Percent of Debt
Debt Service Reserve	\$2,474,206	76.3%
TIF Revenues	767,350	23.7%
Total	\$3,241,556	100.0%

These sources reduce the property tax burden on our stakeholders by a total of \$3,241,556. 100% of our 2026 debt will be paid through sources other than Village-wide property taxes.

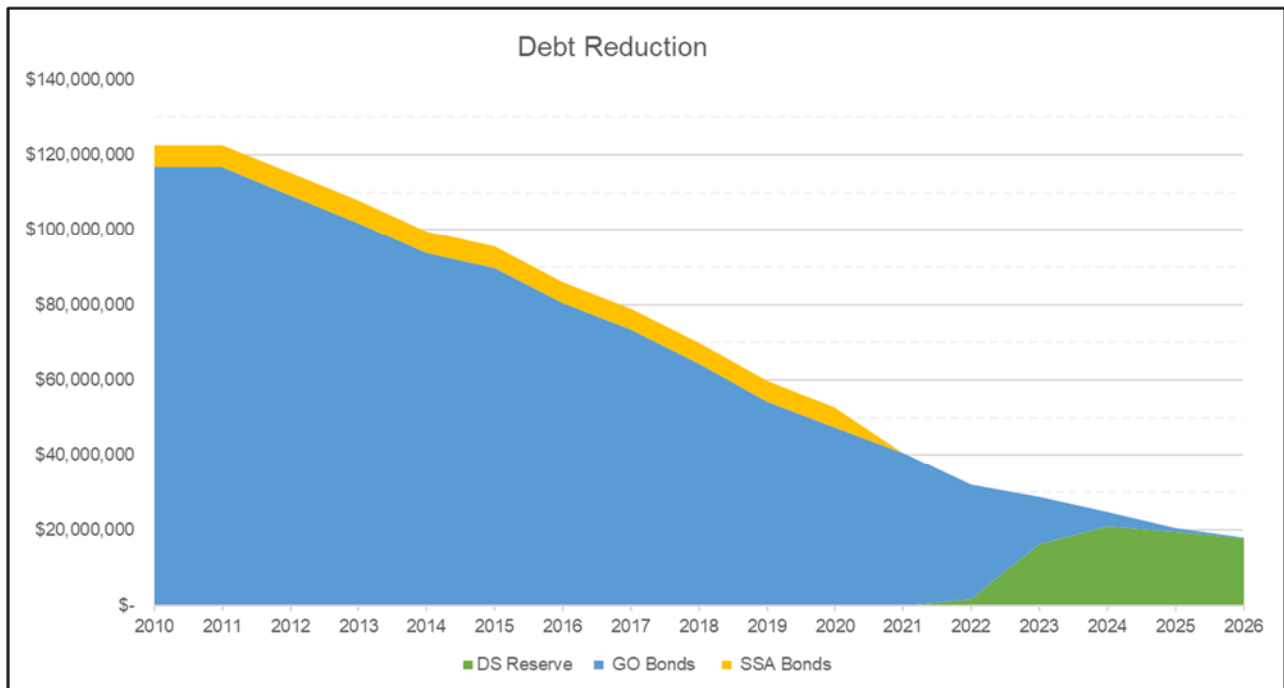
Understanding our total outstanding debt is also important as we assess the long-term financial stability of the Village. At the end of 2026, the Village will have \$17,780,000 in outstanding bond principal. Several sources outside of the property tax are responsible for guaranteeing these bonds. The following table represents the breakdown of all outstanding debt.



Total Outstanding Debt
(Principal Balance as of December 31, 2026)

Source of Payment	Outstanding Principal	Percent of Total Debt
Debt Service Reserve	\$17,780,000	100.0%

Over the past 15 years, the Village has made great strides in reducing its debt burden. From a debt load of \$122,657,469 in 2010 to a projected \$19,620,651 at the end of calendar year 2026. This is a truly remarkable accomplishment. This has been done during the same period that the property tax levy increased by a **total** of 2.45%. All while upgrading all Village facilities, undertaking major infrastructure investments, expanding our public safety services, and maintaining all of our mandated employee benefits.





The Future

The 2026 Budget, while self-admittedly a very “boring” budget, is a very responsible budget. There remains a great deal of uncertainty at the State and Federal levels. The economy is sending mixed signals as to whether the current run of prosperity will continue or things will pivot into a potential recession.

The Operating Budget is on solid ground with dependable revenues to support the delivery of our core services. The Council has approved plans to address our critical infrastructure – roads, water, sanitary sewers, and storm water management. With the commitment to a permanent funding source, allowing revenues to be returned to the operating budget, we will have a strong infrastructure to support our community.

The budget process is like working on a puzzle with no picture to follow. As you fit pieces together, the future changes, and you have to keep looking for the next piece and imagine what things will look like. There is so much out of our control that you can’t dwell on what you can’t control and take care of the tasks at hand. That is exactly what Palatine does.

The fiscally conservative approach to Village finances has allowed the Village to maintain services, decrease the tax burden on our residents, and plan for the future.

Palatine is prepared for the future – whatever that future may be.

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

Respectfully submitted,

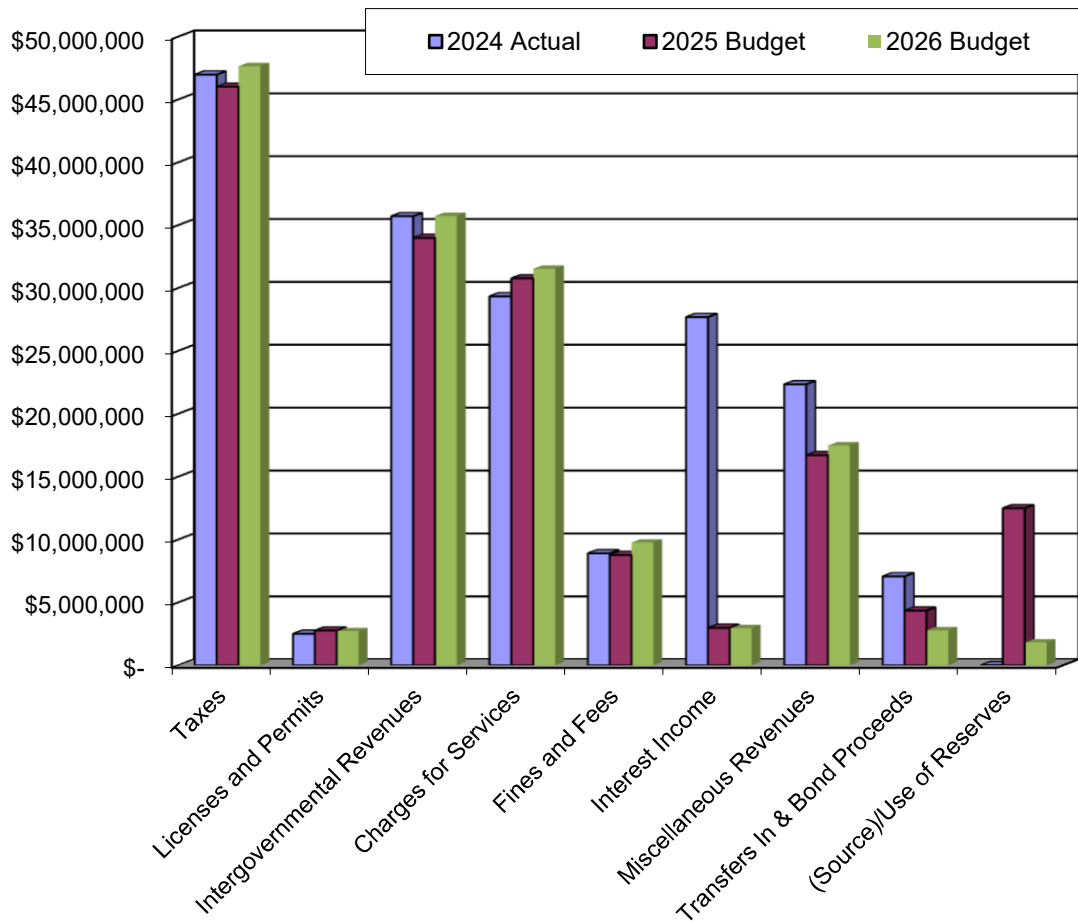
A handwritten signature in blue ink that reads "Reid T. Ottesen".

Reid T. Ottesen
Village Manager

**Village of Palatine
CY 2026 Proposed Budget - Budget Overview**

All Funds Revenues

	2024 Actual	2025 Adopted Budget	2026 Proposed Budget	% Change
Taxes	\$ 46,972,371	\$ 46,007,634	\$ 47,640,399	3.55%
Licenses and Permits	2,496,863	2,750,800	2,709,200	-1.51%
Intergovernmental Revenues	35,699,030	33,975,261	35,717,210	5.13%
Charges for Services	29,327,066	30,755,366	31,522,497	2.49%
Fines and Fees	8,892,600	8,762,100	9,749,100	11.26%
Interest Income	27,676,293	2,972,568	2,947,115	-0.86%
Miscellaneous Revenues	22,329,844	16,696,380	17,468,561	4.62%
Transfers In & Bond Proceeds	7,058,970	4,337,000	2,775,000	-36.02%
(Source)/Use of Reserves	-	12,480,121	1,807,121	-85.52%
All Revenues Total	\$ 180,453,037	\$ 158,737,230	\$ 152,336,203	-4.03%



**Village of Palatine
CY 2026 Proposed Budget - Budget Overview**

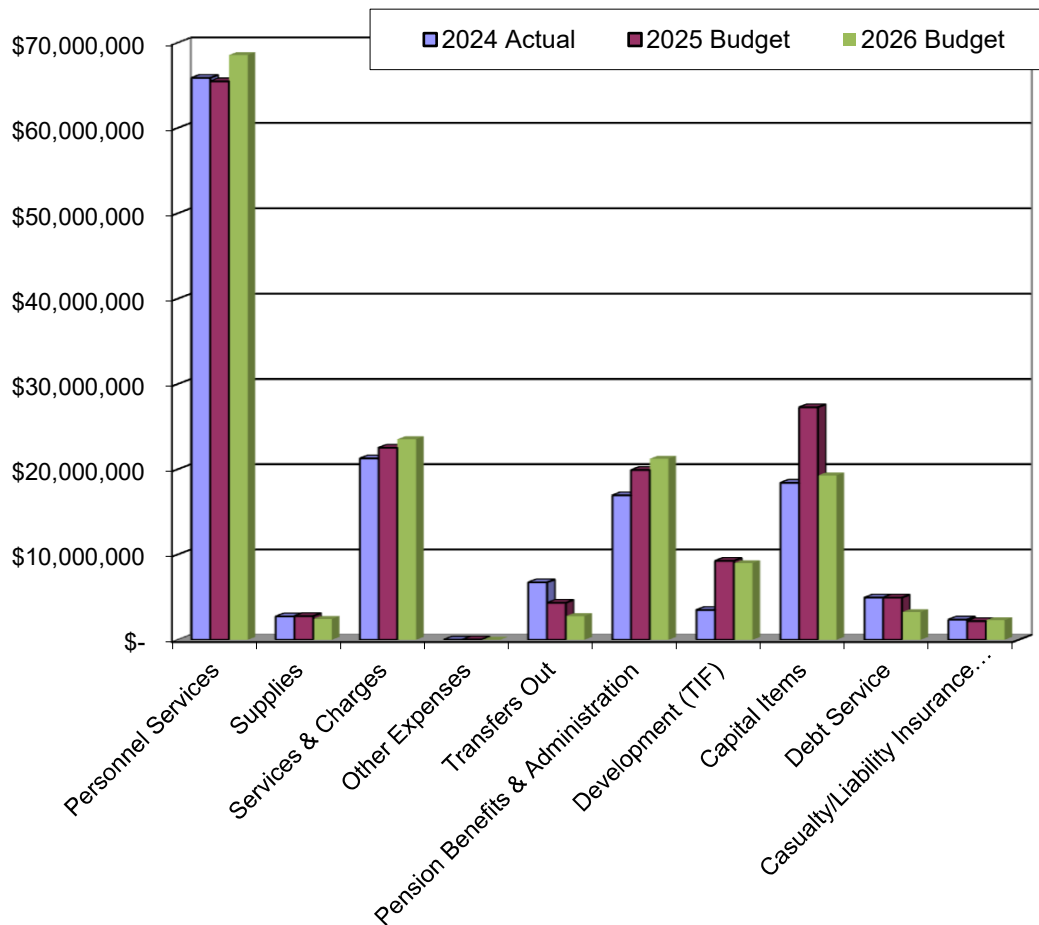
Fund Revenue Summary

		2024	2025	2026	
		Actual	Adopted	Proposed	% Change
			Budget	Budget	
100	General	\$ 74,017,919	\$ 73,765,700	\$ 75,365,956	2.17%
205	Motor Fuel Tax	3,117,362	2,931,073	4,050,000	38.17%
210	CDBG	870,883	480,133	462,638	-3.64%
221	Federal Equitable Sharing	468,390	110,250	165,750	50.34%
222	State Equitable Sharing	58,557	65,750	56,000	-14.83%
224	Foreign Fire Insurance Tax	176,064	100,000	100,000	0.00%
233	Downtown TIF (TIF #3)	9,090,039	10,080,000	10,910,000	8.23%
234	Rand Corridor TIF (TIF #4)	4,539,749	2,273,678	826,565	-63.65%
235	Rand/Lake Cook TIF (TIF #5)	1,468,125	1,155,000	1,055,000	-8.66%
236	53/Dundee TIF (TIF #6)	-	60,000	75,000	25.00%
300	Debt Service	7,032,858	2,451,431	2,475,156	0.97%
401	Capital Equipment	2,969,589	3,341,120	1,421,010	-57.47%
402	Capital Improvements	2,417,709	3,074,076	3,125,000	1.66%
435	CSF Renovation Fund	2,103,838	2,000,000	-	-100.00%
605	Waterworks	16,887,245	22,247,789	16,736,878	-24.77%
610	Sewerage	4,293,177	4,881,995	4,245,995	-13.03%
615	Refuse	4,944,583	4,876,445	4,972,940	1.98%
620	Parking System	651,020	550,205	557,470	1.32%
702	Liability Insurance	1,810,928	2,188,875	2,295,315	4.86%
710	Fleet Services	2,179,795	2,186,710	2,200,530	0.63%
801	Police Pension	20,520,209	10,298,750	10,628,750	3.20%
802	Fire Pension	20,834,998	9,618,250	10,610,250	10.31%
All Funds Revenue Total		\$ 180,453,037	\$ 158,737,230	\$ 152,336,203	-4.03%

Village of Palatine
CY 2026 Proposed Budget - Budget Overview

All Funds Expenditures

	2024 Actual	2025 Adopted Budget	2026 Proposed Budget	% Change
Personnel Services	\$ 65,872,528	\$ 65,467,045	\$ 68,544,752	4.70%
Supplies	2,737,778	2,784,798	2,442,005	-12.31%
Services & Charges	21,277,959	22,527,125	23,528,662	4.45%
Other Expenses	17,314	27,500	3,500	-87.27%
Sub-Total Operations	\$ 89,905,579	\$ 90,806,468	\$ 94,518,919	4.09%
Transfers Out	6,737,000	4,337,000	2,775,000	-36.02%
Pension Benefits & Administration	16,952,066	19,917,000	21,239,000	6.64%
Development (TIF)	3,499,320	9,262,283	8,983,740	-3.01%
Capital Items	18,419,772	27,283,928	19,281,248	-29.33%
Debt Service	4,949,896	4,941,676	3,242,981	-34.37%
Casualty/Liability Insurance Administration	2,376,191	2,188,875	2,295,315	4.86%
All Expenditures Total	\$ 142,839,824	\$ 158,737,230	\$ 152,336,203	-4.03%



**Village of Palatine
CY 2026 Proposed Budget - Budget Overview**

Fund Expenditure Summary

		2024	2025	2026	
		Actual	Adopted	Proposed	% Change
			Budget	Budget	
100	General	\$ 78,710,519	\$ 73,765,700	\$ 75,365,956	2.17%
205	Motor Fuel Tax	2,786,731	2,931,073	4,050,000	38.17%
210	CDBG	870,882	480,133	462,638	-3.64%
221	Federal Equitable Sharing	155,270	110,250	165,750	50.34%
222	State Equitable Sharing	91,750	65,750	56,000	-14.83%
224	Foreign Fire Insurance Tax	157,859	100,000	100,000	0.00%
233	Downtown TIF (TIF #3)	627,868	10,080,000	10,910,000	8.23%
234	Rand Corridor TIF (TIF #4)	4,030,668	2,273,678	826,565	-63.65%
235	Rand/Lake Cook TIF (TIF #5)	1,251,093	1,155,000	1,055,000	-8.66%
236	53/Dundee TIF (TIF #6)	32,275	60,000	75,000	25.00%
300	Debt Service	2,474,381	2,451,431	2,475,156	0.97%
401	Capital Equipment	2,328,962	3,341,120	1,421,010	-57.47%
402	Capital Improvements	1,772,145	3,074,076	3,125,000	1.66%
435	CSF Renovation Fund	-	2,000,000	-	-100.00%
605	Waterworks	17,174,521	22,247,789	16,736,878	-24.77%
610	Sewerage	3,952,397	4,881,995	4,245,995	-13.03%
615	Refuse	4,786,404	4,876,445	4,972,940	1.98%
620	Parking System	478,849	550,205	557,470	1.32%
702	Liability Insurance	2,376,191	2,188,875	2,295,315	4.86%
710	Fleet Services	1,828,993	2,186,710	2,200,530	0.63%
801	Police Pension	8,762,288	10,298,750	10,628,750	3.20%
802	Fire Pension	8,189,778	9,618,250	10,610,250	10.31%
All Funds Expenditure Total		\$ 142,839,824	\$ 158,737,230	\$ 152,336,203	-4.03%

**Village of Palatine
CY 2026 Proposed Budget - Budget Overview**

Fund Balance Summary

		2026	
	Estimated Beginning Fund Balance	Projected (Source)/Use of Reserves	Estimated Ending Fund Balance
100 General (Includes Economic Reserves)	\$ 29,654,815	\$ (102,207)	\$ 29,757,022
205 Motor Fuel Tax	1,890,598	789,800	1,100,798
210 CDBG	-	-	-
221 Federal Equitable Sharing	594,903	65,750	529,153
222 State Equitable Sharing	539,224	36,000	503,224
224 Foreign Fire Insurance Tax	324,437	-	324,437
233 Downtown TIF (TIF #3)	18,937,449	3,109,500	15,827,949
234 Rand Corridor TIF (TIF #4)	4,461,225	(3,174,435)	7,635,660
235 Rand/Lake Cook TIF (TIF #5)	2,385,601	(157,500)	2,543,101
236 53/Dundee TIF (TIF #6)	(32,275)	14,400	(46,675)
255 CDBG - CV Fund	-	-	-
256 ARPA Fund	-	-	-
300 Debt Service	19,195,370	1,742,541	17,452,829
401 Capital Equipment	6,416,527	(1,048,682)	7,465,209
402 Capital Improvements	4,363,733	611,250	3,752,483
435 CSF Renovation Fund	1,495,838	(3,780,000)	5,275,838
605 Waterworks	1,735,874	364,198	1,371,676
610 Sewerage	1,677,314	(180,160)	1,857,474
615 Refuse	668,893	(115,275)	784,168
620 Parking System	1,280,930	76,870	1,204,060
702 Liability Insurance	3,622,081	414,915	3,207,166
710 Fleet Services	1,206,769	50,000	1,156,769
801 Police Pension	123,659,751	1,775,088	121,884,663
802 Fire Pension	114,231,172	1,315,068	112,916,104
All Funds Total	\$ 338,310,229	\$ 1,807,121	\$ 336,503,108

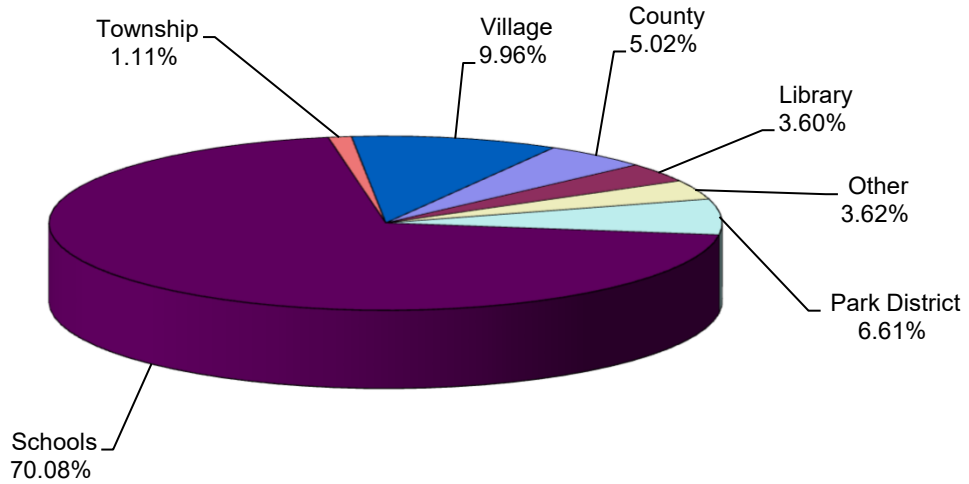
An operating reserve is set aside to provide a cushion against unexpected events, losses of revenue, and large unbudgeted expenditures. The most common trigger for use of reserves is on the income side, such as when a previously reliable source is reduced or withdrawn. Another common reason for either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

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

**Village of Palatine
CY 2026 Proposed Budget - Budget Overview**

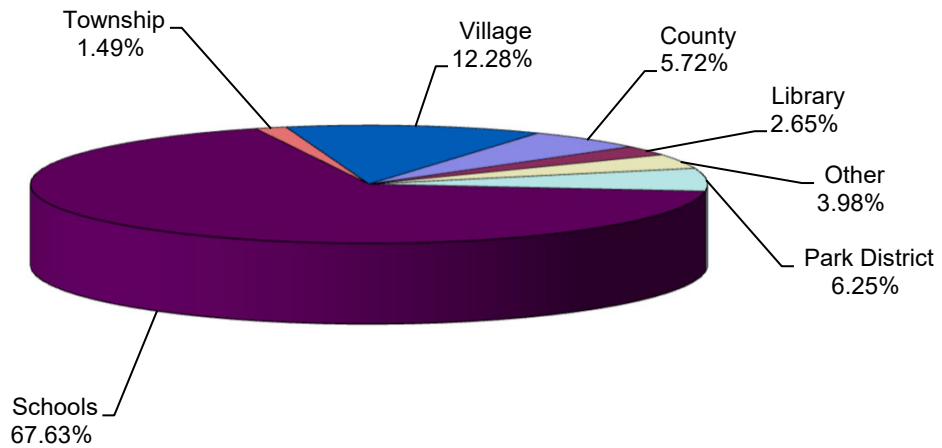
Property Taxes

2023 Property Taxes (Payable in 2024)*



**Cook County 2024 Property Tax Data (payable in 2025) for other taxing bodies was not available at the time this report was prepared.*

2014 Property Taxes (Payable in 2015)



Village of Palatine

CY 2026 Proposed Budget - Budget Overview

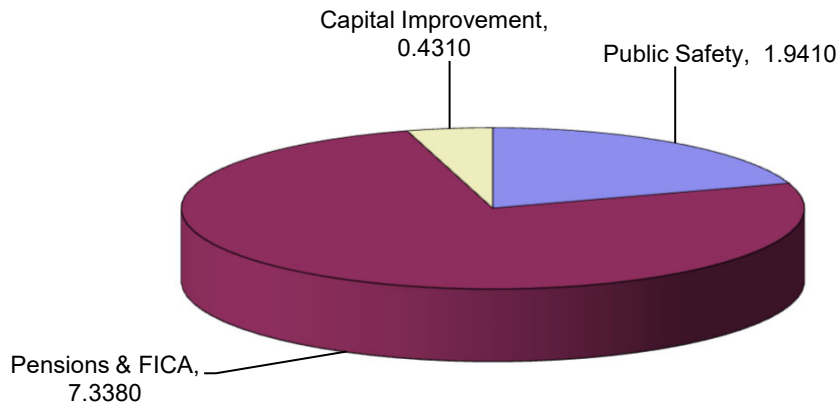
Property Taxes

Property Taxes fund Public Safety (Police and Fire Protection), the Village's share of Retirement Plan funding (FICA, IMRF, Police and Firefighters' Pensions), Capital Improvement, 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. We are pleased to say that this year's budget again includes no increase in our property tax levy. 2026 will mark the seventh consecutive year of a stable or decreasing property tax levy. 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 2026, the Village is proposing no increase to the property tax levy.

Where Does the Village's 9.71 Cents of a Property Tax Dollar Go



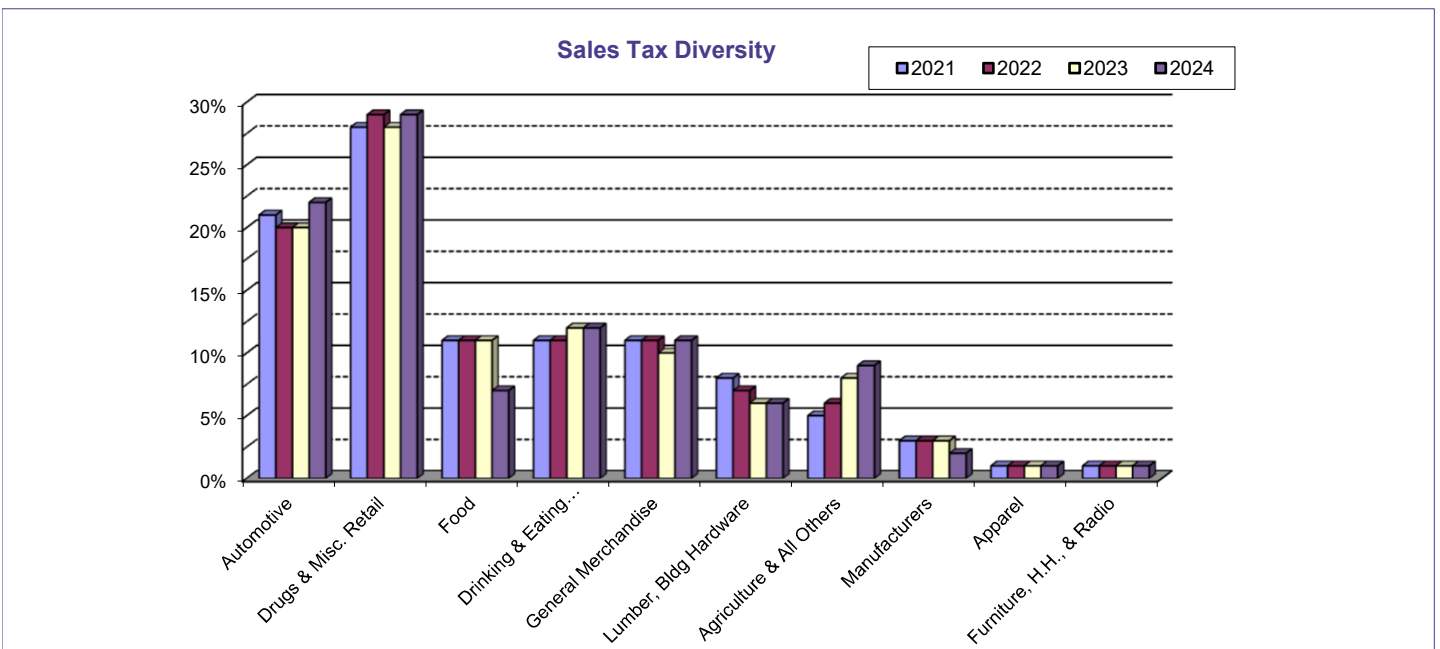
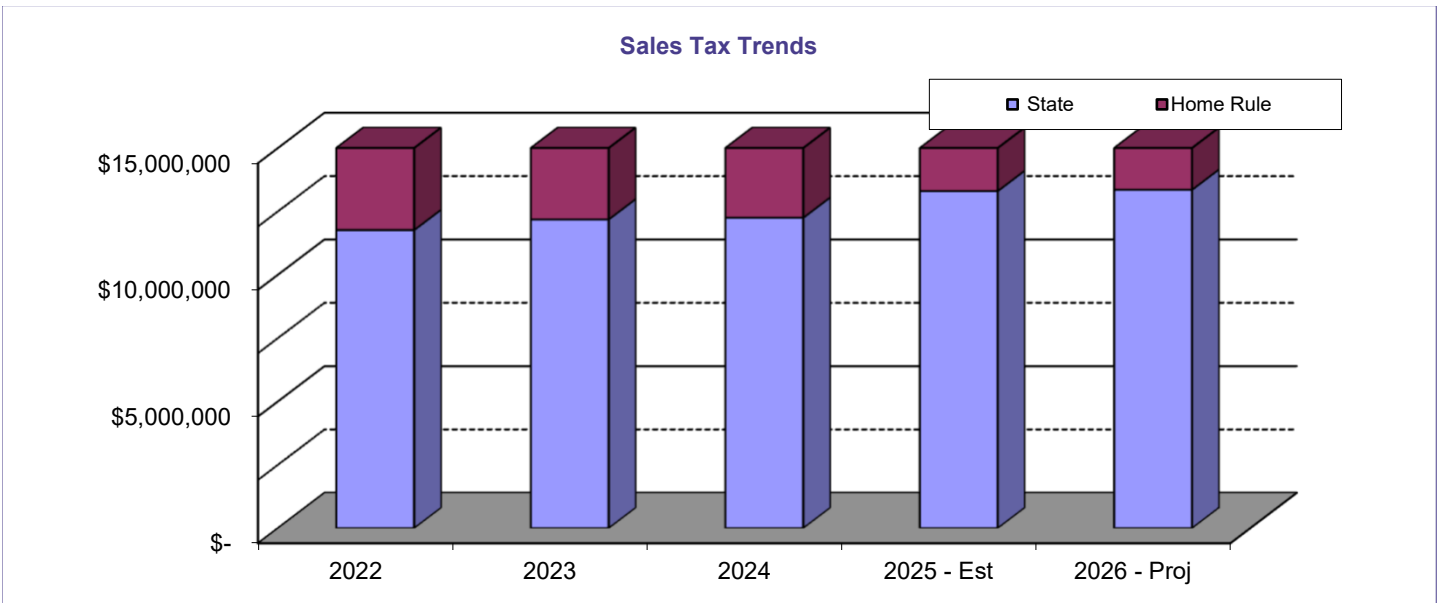
Village of Palatine
CY 2026 Proposed Budget - Budget Overview

Sales Tax

The CY 2026 projection is based upon the current trend of receipts. This revenue source is highly 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.

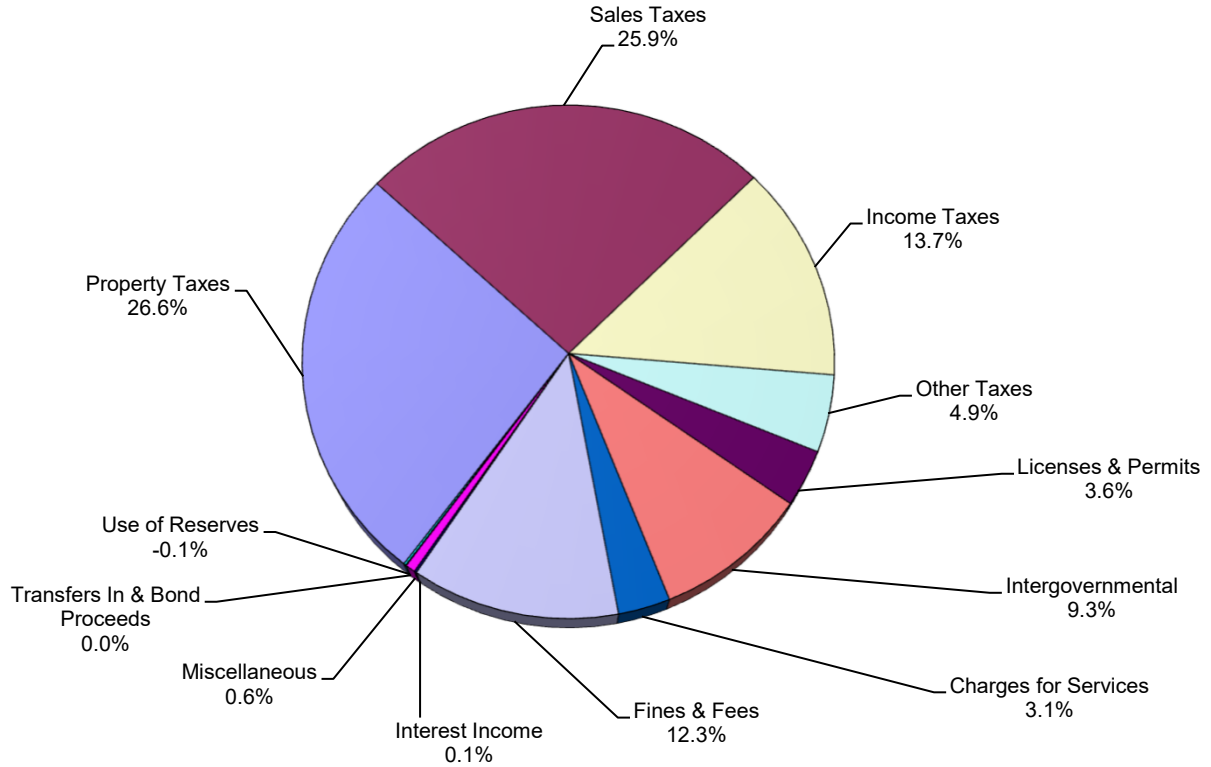
The diversity of the sales tax generators means that if one sector were to experience a downturn, the other sectors would compensate for it. As can be seen, three of the top four producers, excluding automotive, account for 52% of sales tax dollars and are three sectors that are not generally discretionary in nature.



Village of Palatine
CY 2026 Proposed Budget - Budget Overview

General Fund Revenue

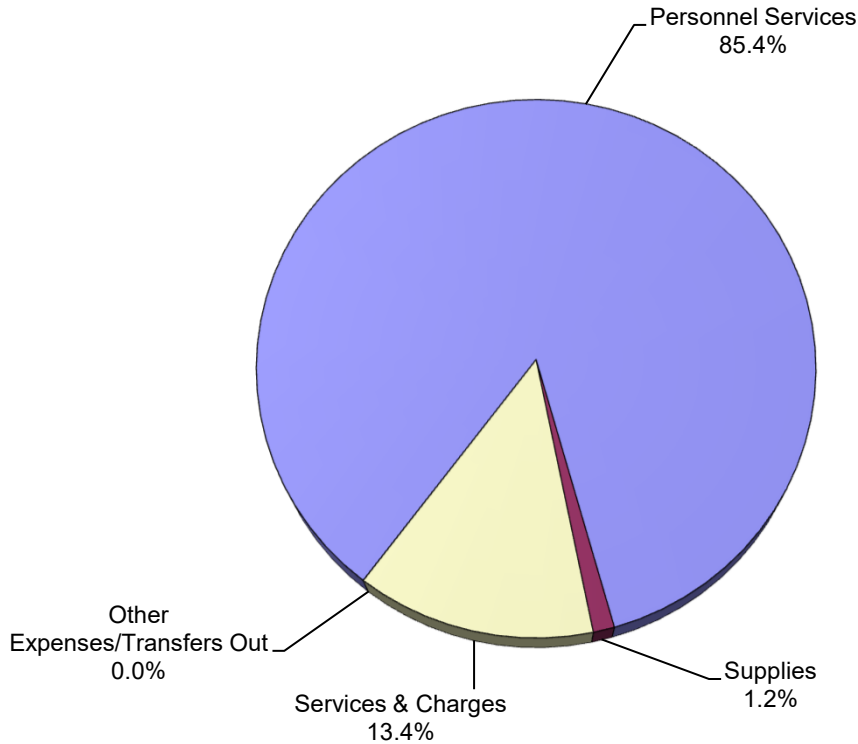
Where The Money Comes From CY 2026



Revenues By Type	2024 Actual	2025 Adopted Budget	2026 Proposed Budget	% Change
Taxes	\$ 28,348,307	\$ 30,572,634	\$ 30,730,199	0.52%
Licenses & Permits	2,483,389	2,737,300	2,695,200	-1.54%
Intergovernmental	29,883,187	29,343,258	29,847,362	1.72%
Charges for Services	2,153,493	2,276,026	2,327,527	2.26%
Fines & Fees	8,237,339	8,307,100	9,292,100	11.86%
Interest Income	1,450,857	100,000	100,000	0.00%
Miscellaneous	1,139,376	683,145	445,775	-34.75%
Transfers In & Bond Proceeds	321,970	-	30,000	-
Use of Reserves	-	(253,763)	(102,207)	-59.72%
Total Revenues	\$ 74,017,918	\$ 73,765,700	\$ 75,365,956	2.17%

General Fund Expenditures

Where The Money Goes in CY 2026



Expenditures by Type	2024 Actual	2025 Adopted Budget	2026 Proposed Budget	% Change
Personnel Services	\$ 62,636,435	\$ 61,415,465	\$ 64,327,362	4.74%
Supplies	1,300,953	1,255,955	900,240	-28.32%
Services & Charges	8,713,817	9,424,780	10,134,854	7.53%
Other Expenses/Transfers Out	6,059,314	1,669,500	3,500	-99.79%
Total Expenditures	\$ 78,710,519	\$ 73,765,700	\$ 75,365,956	2.17%