

**VILLAGE OF
ARLINGTON HEIGHTS, ILLINOIS**

ADOPTED
BUDGET-IN-BRIEF
FISCAL YEAR 2012-13
BEGINNING MAY 1, 2012



VILLAGE OF ARLINGTON HEIGHTS, ILLINOIS
33 S. Arlington Heights Road
Arlington Heights, Illinois 60005-1499

VILLAGE OF ARLINGTON HEIGHTS

BUDGET-IN-BRIEF
FISCAL YEAR 2012-13
BEGINNING MAY 1, 2012

ADOPTED

VILLAGE BOARD

Arlene J. Mulder, Village President

Carol Blackwood, Trustee
Norman Breyer, Trustee
Joseph C. Farwell, Trustee
Thomas Glasgow, Trustee

Thomas W. Hayes, Trustee
Bert Rosenberg, Trustee
John Scaletta, Trustee
Michael Sidor, Trustee

VILLAGE MANAGER

William C. Dixon

FINANCE DIRECTOR/TREASURER

Thomas F. Kuehne

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Introduction

VILLAGE ADMINISTRATION

Central Administration

Village Manager	William C. Dixon
Assistant to the Village Manager	Diana Mikula
Village Attorney	Jack Siegel
Prosecuting Attorney	Ernest R. Blomquist
Assistant Village Attorney	Robin Ward
Village Clerk	Becky Hume
Finance Director/Treasurer	Thomas F. Kuehne
Director of Human Resources	Mary Rath

Public Safety

Chief of Police	Gerald Mourning
Fire Chief	Glenn Ericksen

Economic & Community Development

Director of Planning & Community Development	Charles Witherington-Perkins
Director of Engineering	Jim Massarelli

Services

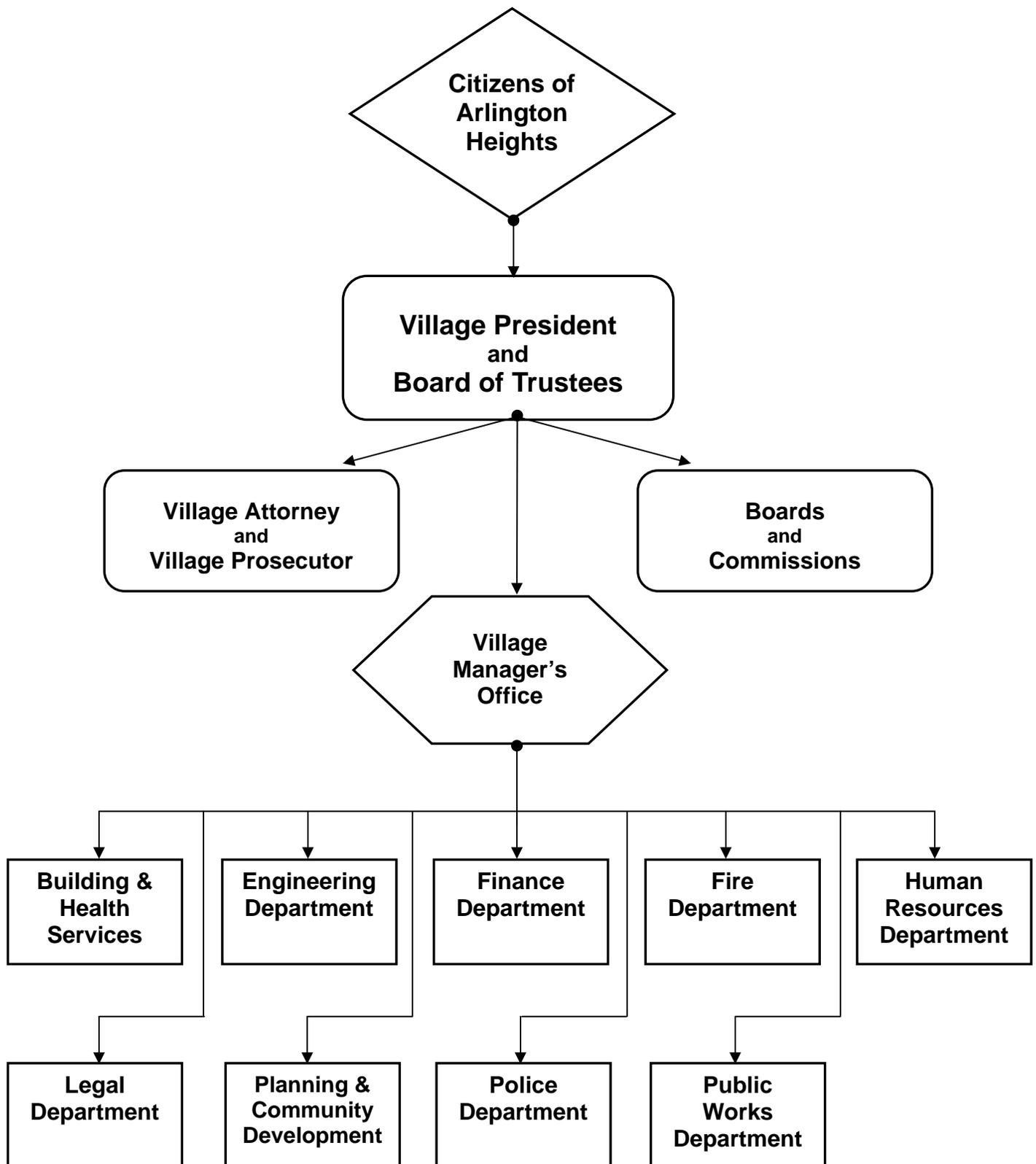
Director of Building & Health Services	James McCalister
Public Works Director	Scott Shirley

Budget Preparation

Finance Director/Treasurer	Thomas F. Kuehne
Deputy Finance Director	Robert C. Buechner, Jr.
Chief Accountant	Mary Juarez
Budget Coordinator	Pam Robb

VILLAGE OF ARLINGTON HEIGHTS

ORGANIZATION STRUCTURE





Village of Arlington Heights

33 S. Arlington Heights Road
Arlington Heights, IL 60005-1499
(847-368-5000)
Website: www.vah.com

April 2, 2012

Dear President Mulder and Trustees:

I am hereby transmitting the Adopted Budget for the fiscal year beginning May 1, 2012 and ending April 30, 2013 (FY2013).

Over the last few years the Village Board and staff have worked through some very difficult financial challenges. We are now starting to see some improvement in our operating revenues, but we remain wary as our local economy is susceptible to the affects of international, national, and state decisions. During the prior three fiscal years the Village grappled with the effects of the most significant recession since the 1930's. These effects included declining sales and income tax receipts, lower building permit fees, and significantly lower interest income. At the same time, the Village's contributions to its Police and Fire Pension funds which are required by State Statute increased significantly as a result of the market losses driven by the downturn in the economy. From the beginning, the Village viewed this economic downturn as a long-term problem due to the failure of the country's central financing systems. As such, the Village took aggressive actions to address the structural budget deficits that had emerged as a result of the declines in our revenue base and the continued upward pressure on expenditures. This conservative approach has allowed the Village to continue to maintain a solid financial position.

During the FY2010, FY2011, and FY2012 budget processes the Village made difficult decisions in regard to revenues, expenditures, and service levels. Programs such as the "Too Good for Drugs" and the Teen Center were eliminated, vehicle and computer equipment lives were extended, and some capital equipment and infrastructure improvements were decreased. The Village also reduced its staffing level by 46 positions through attrition, vacancies, layoffs, and a one-time voluntary retirement incentive program. FY2012 also included a 0% wage adjustment for all employee groups. On the revenue side, the Village previously increased the home-rule sales tax rate from .75% to 1% and implemented new municipal electric and natural gas utility taxes. These changes along with an economy that is starting to show signs of improvement, have brought the Village's General Fund revenues and expenditures in balance.

In 2011, a new challenge emerged that will require significant funding over the next several years. For the last several months the Forestry Division of the Public Works Department has outlined the problems associated with the arrival of the Emerald Ash Borer (EAB) beetle. Infestation by EAB beetles has spread from China to Canada and is now spreading through the Midwest. These beetles bore into Ash trees and feast on the cambium layer of the tree, ultimately killing the Ash tree. The EAB problem is especially burdensome for the Village of Arlington Heights as 13,000 or 36% of our 36,000 parkway trees are Ash trees. The cost to remove and replace all of the Village's parkway Ash trees on a one for one basis is currently estimated at \$11.5 million between now and

2016 or later as the EAB infestation works its way through the community. Fortunately, due to the planned decrease in the Village's debt service obligations the Village has a plan in place to cover the cost of this new program. See the "Other Funds" section of this transmittal letter for additional information on how the new EAB Fund is being financed.

The Village develops its budget based on a conservative forecast of revenues, and does not take into account new revenues from growth unless the development is completed and has provided a historical basis for a new projection. A normal operating expense cycle is anticipated and includes expenditure increase assumptions. The Village also has access to its reserves, which are maintained in part to ensure our excellent bond rating and lower bond interest charges associated with that rating. Maintaining adequate reserves also provides a source of funds for extraordinary storm or other damages, and to help weather economic downturns such as that now being encountered. The Village's minimum fund balance policy is to maintain a fiscal year-end balance of at least 25% of General Fund expenditures. Being near or above this level is even more important for Arlington Heights due to our reliance on sales and income tax receipts which are subject to economic cycles.

The Village of Arlington Heights' goal is to provide responsive and fiscally responsible services to the community. These services are provided to enhance the safety, health and general welfare of the citizens and businesses within the community. The Village's service oriented philosophy continues to balance various community needs with municipal resources through a planned approach to the governance process. As a result of conservative budgeting practices, the Village is fortunate to remain in a strong fund balance position.

Budget Summary – All Funds

The budget is comprised of operating, capital, internal service and other miscellaneous funds. The Village's operating funds account for the day-to-day expenditures for a variety of services. Among these are police and fire protection, water and sewer services, public parking, building, code review, planning, health, general services, public infrastructure maintenance and many other services. These basic Village services are funded through user fees, taxes, licenses, permits and other charges. The total amount budgeted for the Village's capital needs can vary from year to year depending on the timing and implementation of replacement and construction schedules. Capital expenditures are funded through bond issues, user fees, designated taxes and the budgeted use of accumulated savings.

The total of all operating, capital and other funds in FY2013, not including the Arlington Heights Memorial Library, comes to \$137,443,222, which is 13.6% lower than the prior fiscal year. This decrease is primarily attributable to lower debt service costs, as FY2012 included two advance refunded bond issues totaling about \$20 million. The FY2012 Budget was also amended to include a one-time \$2 million transfer from the General Fund to the EAB Fund to provide initial funding to combat the EAB beetle infestation. When looking at the Village's three key operating funds, the FY2013 budgets for the General, Water and Sewer, and Parking Funds only increase by a combined .44%.

The FY2013 Budget assumes that Village revenues will continue to grow at a slow pace over the next fiscal year. On the expenditure side the Village is fortunate that the FY2013 estimated blended health insurance plan increase is only 2% over the prior year. Low claims experience and the Village's ongoing wellness programs resulted in this second consecutive year for an unusually

low health insurance renewal. However, it may not be possible to experience rate increases this low in the future.

After three years of significant increases in Police and Fire Pension costs, the implementation of a two-tier pension system by the State Legislature in 2010, coupled with an improving stock market, has hopefully started to tame this expenditure area. The intent of the new two-tier pension system is to reduce the long-term pension liability for employers who have employees covered under the Police and Fire Pension plans. Most of the benefits of these changes will be longer-term since much of the law is written for employees who commenced work on or after January 1, 2011. However, the law provided an immediate benefit by altering the amortization period for the Police and Fire Pension unfunded liability, extending it from 100% funding by 2033 to 90% funding by 2040. This particular legislative change provided the Village with a one-year window within which we were able to reduce the actuarial interest rate assumption from 7.5% to 7% without incurring a significant increase in the employer contribution amount. The goal of this change was to present a more accurate funding position based on more recent long-term investment returns. This will help hold down the long-term growth of the unfunded public safety pension obligation and future Village contribution requirements.

In 2010 the State Legislature also created a second tier of pension benefits for other Village employees covered by the Illinois Municipal Retirement Fund (IMRF). Once again, the intent of this legislation was to reduce the long-term liabilities for IMRF employers. The IMRF Board had also made a change to its actuarial technique in 2009, under which the amortization method for paying down the unfunded obligation was changed from a closed method ending in 2022, to a rolling technique where the amortization period resets to thirty years, each year. This change helped spread out the losses from the 2008 market collapse over more years. The IMRF rate increase for FY2013 is 10%. These changes, in addition to the Village's actions to prepay its IMRF early retirement incentive program and the elimination of a number of IMRF staff positions, have helped hold down property tax requirements for the IMRF pension plan compared to what they would have been.

Personnel Changes

The Village has continued to look for ways to work as efficiently as possible. As a result of the economic downturn the Village Board and staff worked to reduce staffing levels while maintaining most of the Village's programs and service levels. This has been accomplished by consolidating some positions as well as through efficiency improvements utilizing technology. In other cases, services have been reduced or contracted out on an as-needed basis. Full-time equivalent (FTE) personnel changes from FY2002 compared to FY2012 resulted in a net decrease of 46 positions or about a 10% decrease. The FY2013 Budget shows the Village maintaining this reduced level of staffing.

It should also be noted that during FY2012 the Village combined the Building and Health Departments into one department. As a result, the Director of Building Services position was eliminated through attrition. The Village's Health Services Director assumed these additional duties and was promoted to Director of the Building and Health Services Department. This position decrease was offset by the addition of the temporary EAB/Forestry position that was approved in FY2012 to handle the administrative and forestry duties associated with the Emerald Ash Borer (EAB) problem. This position is slated to be eliminated after the EAB infestation has passed with the intention of the incumbent being able to stay on through normal attrition.

The balance of this budget message identifies the process that has been followed to prepare this financial plan for FY2013, a detailed review of the General Fund, as well as budget narrative on other Village funds. Additional charts and graphs on the budget as a whole and on selected funds can be found in the Financial Summaries section of the budget.

Explanation of the Budget Process

The Village of Arlington Heights operates under the Budget Officer Act as outlined in the Illinois Compiled Statutes. Under this law the Village Board is required to adopt the budget prior to the beginning of the fiscal year to which it applies. The law also provides that the budget shall serve as the Village's annual appropriation ordinance. The Village's budget and financial planning process begins in October of each year when the Board reviews and approves a five-year Capital Improvement Program. In November, multi-year projections are provided to the Board for the General and Water & Sewer Funds, which are the Village's key operating funds. Based on these projections, the Board sets budget ceilings which each department uses as an upper limit when developing its proposed spending plans.

During January and February the budget team, consisting of the Village Manager, Assistant to the Village Manager, Finance Director, Deputy Finance Director, and Budget Coordinator, meet with representatives of each department to review their operating and capital spending proposals. As a result of these meetings and based on available resources, a proposed budget is prepared for review by the Village Board. During March, the Village holds a number of public budget meetings at the Committee-of-the-Whole level. The Village Board subsequently holds a Public Hearing prior to adopting the annual budget in April of each year. A detailed calendar of the budget process immediately follows this transmittal letter.

The budget may be amended by the Village Manager in the form of transfers between line items up to \$10,000. Budget transfers above this amount require the approval of the Village Board. This allows the Village the flexibility it needs to operate efficiently due to the scope of its operations. This also serves to increase the accountability of department directors by encouraging them to budget realistically and to keep a close watch on each expenditure line item during the year.

The budget ceilings approved by the Village Board for the General and Water & Sewer Funds at the beginning of the FY2013 budget process, versus the Adopted FY2013 Budget totals for these funds are as follows:

	<u>General Fund</u>	<u>Water & Sewer Fund</u>
Budget Ceiling	\$65,747,500	\$15,663,500
Adopted Budget	<u>65,693,900</u>	<u>15,604,400</u>
Over (Under) Ceiling	\$ (53,600)	\$ (59,100)

During the department reviews, the budget team and department directors worked to prepare a budget at or below the budget ceilings. The FY2013 General Fund and Water & Sewer Fund budgets are below the budget ceilings established by the Village Board in November 2011.

General Fund

The General Fund is the all-purpose governmental fund, which handles the operations of the Village not accounted for in a separate fund. Most of the expenditures for Village services are budgeted and accounted for in this fund, except for water and sewer expenses. There are four key revenue sources, which account for 69% of the total General Fund revenues:

- Property Tax	30% of revenues
- Sales Tax (including Home Rule)	24%
- Income Tax	9%
- Telecommunications Tax	6%

The revenues listed above represent the General Fund's primary growth revenues, which pay for annual cost increases. On the expenditure side, as a service organization, 79% of this Fund's expenditures are for Personal Services including benefits. Pension increases over the past few years have put pressure on this expenditure area, and this situation is not unique to the Village of Arlington Heights. On an operational basis, most of the Village's general expenditures are directed toward public safety, with the Police and Fire Departments comprising 64% of the total General Fund budget.

The Village has worked to be very prudent with General Fund monies. As of FY2008 the Village had experienced five straight years of surpluses, however once the recession hit the Village drew down on its reserves during FY2009 and FY2010. Over these two years the Village's General Fund revenue base decreased dramatically as sales, income, hotel, and telecommunication tax receipts all declined. In response, the Village Board and staff worked to reduce expenditures by eliminating positions, cutting services and programs, and implementing revenue enhancements. During FY2009 and FY2010 the Village drew down its reserves by a combined \$4.5 million. In FY2011 the economy started to improve and slow, but steady growth continued through FY2012 and is expected to continue through FY2013.

The FY2013 General Fund budget includes \$250,000 for a new limited in-house paving program. This maintenance program is intended to be an intermediate step to help prolong the life of streets that are not currently on the Village's street resurfacing and rehabilitation programs within the next five to seven years. The Village's Street Unit recently began a pilot program to experiment with roadway edge grinding and paving and found it to be well received by residents. Due to ongoing economic uncertainties, a rental asphalt grinder and paver box will be used in case this new program has to be scaled back or eliminated at some point in the near future. The expenditure for this proposed program is shown in three separate Public Works Department line items: Street & Sidewalk Supplies, Other Services, and Rental Equipment.

The Village's emergency dispatching services provided through the Northwest Central Dispatch (NWCD) System are budgeted to increase by 11% in FY2013. The NWCD System is an intergovernmental emergency communications system which currently serves twelve local government public safety entities in the northwest suburban Chicago area. Each local government's annual charge for this system is based on the number of emergency calls for that jurisdiction. In the most recent reporting year the Village of Arlington Heights saw an increase of 7% in the number of emergency calls handled by the NWCD System. After decreasing for a couple of years the Village's call volume has returned to its FY2008 level. In addition, the NWCD System entered into a new labor agreement which resulted in increased system costs.

In many departments the Photocopying line item has decreased over the last couple of years. As leases on older copiers expire the lease-purchase decision for their replacement has tilted toward the purchase of mid-sized copiers. The cost of the new copiers is funded through the Capital Projects Fund, and the General Fund operating department photocopying costs are decreasing due to not having to budget for annual lease charges. Photocopy costs have also come down due to the increased use of digital scanning, PDF's, and emails rather than sending out paper copies.

Future General Fund Concern – State of Illinois Budget Deficit – The State of Illinois' multi-billion dollar deficit will likely affect the overall State economy and could potentially have a more direct affect on local governments. The State has fallen behind on its payments to vendors and various State agencies, causing some businesses and agencies to shutter their doors. As the State works to balance its budget there could be even more delayed or defaulted payments, which can affect businesses and sales tax receipts from those businesses. From a more direct perspective, the Village has continued to receive its portion of sales tax collections from the State, but our income tax receipts are being delayed by the State due to their cash flow problems. Under normal circumstances, there is a one or two month lag time between the voucher months when the State receives income tax receipts and disbursement of the 1/10th per capita amount paid to local governments. As of January 2012, there was a three month lag time, and the income tax receivable from the State to the Village equaled \$1.5 million. The Village currently receives about \$6.1 million per year in income tax receipts which represents about 9% of total General Fund revenues.

Water & Sewer Fund

The Water & Sewer Fund remains relatively stable due in large part to the combined 5% rate increases that were approved by the Village Board for FY2011 through FY2015. Even with these planned adjustments the Village's water and sewer rates will likely remain at or below the average for communities in the surrounding area. Capital projects in the Water & Sewer Fund reflect normal Watermain Replacement and Sewer Rehabilitation programs. Village staff also plans on performing an assessment of the condition of its water tanks in FY2013 in order to develop a priority based ten year plan for repainting the inside and outside of the water tanks. The FY2013 budget includes \$500,000 to repaint the inside of the Well #16 east tank.

The budget also includes continued funding of the Sewer Back-Up Rebate program. Under this program single-family homeowners can upgrade their old systems by installing a sewer back-up system to prevent sanitary sewer back-ups into their basements. The average cost to install a sewer back-up system can range from \$10,000 to \$15,000. The Village's rebate amount for the program is set at a maximum of \$7,500 per qualifying single-family residence, with a maximum annual program budget of \$50,000. Installing a sewer back-up system increases an owner's property value, but the significant out-of-pocket expense prohibits some residents from participating in the program.

Flood Control V Fund

The FY2013 Budget includes the following significant flood control projects:

Grove Street Sanitary Sewer (\$250,000) – The Grove Street sanitary sewer area is prone to sewer back-ups and many residences in this area were not built with a sewer back-up prevention system. The budgeted amount includes funds to cover the Village's portion of the Sewer Back-Up Rebate

Program for residences in the Grove Street sanitary sewer area. The Village plans on making a special marketing effort in this area to advise the residents of the benefits of installing a sewer back-up system. The funds in this account are also available to single-family residents throughout the Village.

Neighborhood Drainage Improvements (\$200,000) – This budget provides funds for public drainage improvements allowing new or improved access for residents to Village storm sewers which can help alleviate chronic neighborhood drainage problems. The program only covers work on public right-of-way with any connections or work on private property being the responsibility of the property owner.

Utility Modeling/Flood Study (\$350,000) – The Village plans on conducting a study of its existing sewer systems through the use of utility modeling of the sewer system. Once this information is developed an additional RFP will be put together to model and then study the Village's existing sewer systems and how they functioned during the extraordinary July 23, 2011 rain event, and to develop cost-effective recommendations to improve or enhance our sewer system. Prior to issuing the modeling RFP's staff will be presenting a flow monitoring recommendation to the Board. Flow monitoring is the first step in creating the model and this work should be performed between mid-April and the end of June. The Village would then be in a position to determine the level of flood mitigation improvements that can be reasonably afforded, as well as possible funding mechanisms for any potential improvements.

Capital Improvement Program (CIP)

The Village of Arlington Heights has been aggressive in maintaining its roads, providing a drainage system that mitigates flooding in the community, and maintaining its buildings, emergency apparatus, and facilities required to perform essential services. Over the years, Federal and State financial assistance has dwindled thereby expanding local responsibilities in the program area of public infrastructure. This problem has been compounded by new regulations governing the health and environmental standards that regulate design and operations. Balancing the competing demands for limited resources is important to maintain a healthy, safe, viable, and physically attractive community.

The Capital Improvement Program includes a process whereby citizens are asked for input on an annual basis. By communicating through the Village website, citizens are afforded the opportunity to complete a short form describing the type of capital projects they would like the Village to consider in the next five years. Village staff analyzed the cost and eligibility of all the proposed projects, and the Board subsequently examined the requests along with staff recommendations. Certain capital projects are considered only if the persons and property owners are agreeable to special assessment or special service area financing. In other cases projects are included in the CIP since they would benefit the community as a whole. In October 2011, the Village Board reviewed all of the proposed capital projects and approved the Capital Improvement Program for FY2013 through FY2017.

The capital projects outlined in the CIP are budgeted in a variety of Village funds, depending on the source of revenue. The first year of the multi-year capital plan has been incorporated into the FY2013 Budget. The "CIP/Debt Service" section of the budget shows a summary of the entire five-year capital spending and funding plan. The key capital projects, outside of the water, sewer, and flood control projects that were identified earlier, include the following:

Tax Increment Financing (TIF) Fund Projects – The Village currently has three active TIF Districts. TIF projects are typically financed through a pay as you go mechanism or through issuing debt based on future property tax increment revenue streams. The difference in property tax revenues received in the base year of a TIF District versus the increased property taxes received in subsequent years after improvements are made, result in a property tax increment. TIF IV includes a budget of \$500,000 for redevelopment, although actual expenditures will depend on market conditions. There are no other large capital projects currently scheduled for the remaining TIF Districts. However, if a developer brings forth a viable project during the fiscal year, the Village would amend the budget accordingly.

Capital Projects Fund – This fund accounts for a variety of capital improvement projects including road improvements, sidewalk repair/replacement, equipment, traffic signals, and other miscellaneous projects. Financing for this fund is provided primarily by property taxes, a ¼% home-rule sales tax, and grant revenues. The recession has continued to squeeze this fund's available resources. At the same time, over the last ten years the cost of the Village's street resurfacing and reconstruction programs have increased at a rate faster than inflation due to the rising cost of oil, a key ingredient in asphalt. As a result, developing a spending plan for the Capital Projects and the MFT Funds has become more challenging each year.

Based on the Village Board's capital spending priorities, the spending plan continues the Village's efforts for street resurfacing, but also reflects continuing the last two years' reductions in some capital programs. The consequences of those reductions will continue to include not funding the arterial street light and downtown site furnishing programs, and most of the green corridor beautification program.

The FY2013 street expenditures are higher than normal due to the continuation of the Village's annual street resurfacing and reconstruction programs coupled with the Northwest Highway/Davis Street Intersection project and the Commuter Drive Reconstruction project. For nearly twenty years the Village has successfully utilized the PAVER program to assist with pavement management. The FY2013 street program includes the following expenditures:

Street Resurfacing Program (\$3,300,000 – Capital Projects Fund) – This is an ongoing program limited to resurfacing existing deteriorated street pavement and curbs.

Street Rehabilitation Program (\$2,145,000 – MFT Fund) – This is an ongoing pavement maintenance program analyzed by using the pavement management software. The Street Rehabilitation Program consists of reconstruction of significantly deteriorated street pavement, curbs, and concrete panels.

Some of the other major projects included in the FY2013 Capital Projects Fund budget are:

Traffic Signal Improvement at Northwest Highway/Wilke (\$551,300) – This project totaling \$4.1 million includes intersection modifications to improve traffic signal sequencing, provides geometric changes, and upgrades existing signal hardware and signal system interconnect. The Illinois Department of Transportation (IDOT) has approved \$2 million in grant funds for construction which is the balance remaining from the highway portion for the transit improvements that were made to the Arlington Park train facility. Another \$1.5 million in Surface Transportation Program (STP) and Congestion Mitigation and Air Quality (CMAQ) grant funding is being sought by the Village. The project will require the review and approval of numerous agencies including IDOT, the Union

Pacific Railroad, Metra Commuter Rail, the Illinois Commerce Commission, and the Cook County Highway Department.

Northwest Highway/Davis Street/Arthur Avenue Intersection Improvement (\$1,214,900) – This represents most of the Village's portion of construction costs for the \$3.9 million improvement. The project involves the widening, resurfacing and channelization of roadways, traffic signal modernization and railroad grade crossing widening at this intersection. STP grant funding has been obtained for 50% of the right-of-way costs and 70% of the construction costs. During construction the Village will be billed for its local share of the construction costs.

Commuter Drive Reconstruction (\$162,000) – This project represents the Village's portion of the reconstruction of Commuter Drive from the Arlington Heights Train Station to Rohlwing Road. This improvement is being completed with the City of Rolling Meadows which has secured CMAQ funding for the improvement which has a total estimated cost of \$1,294,000.

Public Safety Radio System – The current communications system for the Fire and Police Departments has reached the end of its expected service life and is no longer supported by the manufacturer. To address this issue the Northwest Central Dispatch (NWCD) System is replacing their base station communications infrastructure with a new 800 MHz digital system and all NWCD police and fire departments will be required to replace their current radio inventory in order to communicate with the new system. The Fire Department's emergency radio replacement costs amount to \$348,000 and will be covered by \$50,000 from the Foreign Fire Insurance Fund with the balance being funded through the Capital Projects Fund. The Police Department emergency radio replacement cost of \$500,000 will be funded through the Criminal Investigation Fund.

Other Funds

Public Building Fund – FY2013 expenditures in this fund include \$600,000 in improvements to the existing Police Building and \$105,000 toward Village phone system improvements. Prior to last year, Police Building improvement projects were postponed pending the outcome of the Police Building needs assessment. Since action on the Police Building will likely take additional time, the Village's CIP shows that the current Police facility will continue to require over \$1.4 million in basic building improvements over the next five years. Repair expenses for such items as the chiller, exterior brick/windows, generator, and other areas will be necessary. During next year's CIP process staff will begin to develop a long-term plan for the Village Board's consideration of the eventual replacement of the Police facility.

The phone and voice mail systems at the Village Hall and Senior Center are in need of improvement and replacement. These systems are no longer being supported by the manufacturers, and the Village Hall voice mail system manufacturer is no longer in business. Over the last three years the Village has reduced clerical staff levels, which has resulted in an increased use of the Village voice mail system and auto-attendant function. Unfortunately, this system was not designed for many of the current intended uses, and further repairs or changes to these systems are no longer possible. The FY2013 budget includes the replacement of the voice mail and auto-attendant systems at the Village Hall at a cost of \$65,000 and the replacement of the voice mail and phone switch at the Senior Center at a cost of \$40,000. To complete the phone system improvement project, in the following year's budget it is proposed that the Village-wide phone switch be replaced at a cost of approximately \$91,000.

Fire Academy Fund – The Village’s Fire Training Academy will be closed during FY2013. The Arlington Heights Fire Department is a founding member of an intergovernmental public safety training consortium, the Northeast Illinois Public Safety Training Academy (NIPSTA). Over the years this organization has expanded its training opportunities and now offers a full array of educational programs that address the requirements of fire, police, and other disaster response personnel. Prior to NIPSTA’s current training curriculum, the Village’s self-supporting training program met the training needs of area fire departments for many years. As a result of the quality and cost-efficient educational programs offered by NIPSTA, the need to continue a separate Fire Training facility run through the Village no longer exists.

Emerald Ash Borer (EAB) Fund – This is a new fund that was established at the end of FY2012 to account for the costs associated with the removal and replacement of diseased parkway Ash trees. Fund expenditures include a temporary full-time EAB/Forestry administrative position to track the Ash tree removal and replacement program, monitor any required independent contractors, and to handle questions and problems associated with the EAB program, including the “People’s Choice” treatment option.

Initial funding for the EAB Fund came through a \$2 million transfer from the General Fund until a bond issue is sold in 2013 or 2014 which will cover the majority of the projected \$11.5 million cost of the EAB program. Once a bond issue is sold, the EAB Fund could refund all or a portion of the amount transferred from the General Fund depending on the financial conditions at that time.

Acknowledgements

The preparation of this year’s budget posed continuing challenges for the Village Board and staff. The proposed budget allows the Village to continue its commitment to basic services while living within our current revenue stream and reserves. I would like to thank the entire staff and especially the budget team consisting of Tom Kuehne, Bob Buechner, Pam Robb, and Diana Mikula for their efforts. Thanks as well to the Village Board for its ongoing support during the budget cycle and throughout the year.

Sincerely,



William C. Dixon
Village Manager

Financial Summaries

ALL FUNDS SUMMARY

FUND	REVENUES	2009-10 Actual	2010-11 Actual	2011-12 Est Act	2011-12 Budget	2012-13 Budget	\$ Change	% Change
101	GENERAL	59,303,291	62,403,634	65,226,900	63,603,164	66,501,100	2,897,936	4.6%
211	MOTOR FUEL TAX	1,942,836	2,466,184	2,117,900	1,948,000	2,118,200	170,200	8.7%
215	CDBG	447,721	352,861	405,376	454,646	292,730	(161,916)	(35.6%)
217	1st TIME HOME BUYERS GRANT	32,084	39	0	0	0	0	N/A
225	FIRE ACADEMY	133,871	75,748	19,400	188,000	15,000	(173,000)	(92.0%)
227	FOREIGN FIRE INSURANCE TAX	110,290	120,779	125,600	121,000	125,600	4,600	3.8%
231	CRIMINAL INVESTIGATIONS	197,246	226,845	128,000	16,676	769,000	752,324	4511.4%
235	MUNICIPAL PARKING	1,048,556	1,048,088	1,083,000	1,061,200	1,063,000	1,800	0.2%
251	TIF I SOUTH	0	656,743	4,000	0	0	0	N/A
255	TIF II NORTH	1,582,778	7,379	0	0	0	0	N/A
261	TIF III	348,127	288,037	271,900	301,800	271,900	(29,900)	(9.9%)
263	TIF IV	560,542	282,120	652,000	496,200	652,000	155,800	31.4%
264	TIF V	1,451,324	623,489	591,500	713,700	590,700	(123,000)	(17.2%)
301	DEBT SERVICE	16,685,363	10,990,249	28,571,879	28,587,879	7,775,644	(20,812,235)	(72.8%)
401	CAPITAL PROJECTS	6,292,335	4,590,577	4,509,200	5,377,600	4,479,800	(897,800)	(16.7%)
426	FLOOD CONTROL V	24,519	24,733	218,100	5,000	10,000	5,000	100.0%
431	PUBLIC BUILDING	32,859	18,379	8,500	13,000	4,000	(9,000)	(69.2%)
435	EMERALD ASH BORER (EAB)	0	0	2,000,000	2,000,000	0	(2,000,000)	(100.0%)
505	WATER & SEWER	12,093,765	12,790,277	13,660,600	14,612,100	14,996,600	384,500	2.6%
511	SOLID WASTE DISPOSAL	1,683,729	1,530,226	1,621,700	1,550,000	1,510,000	(40,000)	(2.6%)
515	ARTS, ENTERTAINMENT & EVENTS	461,108	464,481	874,400	844,700	486,500	(358,200)	(42.4%)
605	HEALTH INSURANCE	8,169,706	8,066,849	8,114,000	8,382,600	8,691,300	308,700	3.7%
606	RETIREE HEALTH INSURANCE	2,175,390	1,886,315	2,038,500	2,826,100	2,416,100	(410,000)	(14.5%)
611	GENERAL LIABILITY INSURANCE	664,793	654,630	962,000	988,000	682,800	(305,200)	(30.9%)
615	WORKERS' COMPENSATION	1,859,474	1,796,123	1,932,200	1,779,600	1,813,400	33,800	1.9%
621	FLEET OPERATIONS	3,022,150	2,911,765	3,022,600	2,868,300	3,052,600	184,300	6.4%
625	TECHNOLOGY	1,544,351	1,533,110	1,406,500	1,410,500	1,454,600	44,100	3.1%
705	POLICE PENSION	13,437,242	11,068,693	8,993,100	8,838,000	9,238,000	400,000	4.5%
711	FIRE PENSION	13,910,089	11,684,670	9,369,100	9,009,000	9,413,000	404,000	4.5%
TOTAL REVENUES		149,215,539	138,563,023	157,927,955	157,996,765	138,423,574	(19,573,191)	(12.4%)

FUND	EXPENDITURES	2009-10 Actual	2010-11 Actual	2011-12 Est Act	2011-12 Budget	2012-13 Budget	\$ Change	% Change
101	GENERAL	61,021,789	59,612,108	64,732,000	66,056,526	65,693,900	(362,626)	(0.5%)
211	MOTOR FUEL TAX	2,499,437	2,188,439	2,229,000	2,448,100	2,358,800	(89,300)	(3.6%)
215	CDBG	447,721	352,861	405,376	454,646	292,730	(161,916)	(35.6%)
217	1st TIME HOME BUYERS GRANT	58,033	10,186	0	0	0	0	N/A
225	FIRE ACADEMY	120,238	92,602	119,700	236,886	157,850	(79,036)	(33.4%)
227	FOREIGN FIRE INSURANCE TAX	147,526	115,888	154,300	165,000	195,000	30,000	18.2%
231	CRIMINAL INVESTIGATIONS	189,981	203,218	171,200	171,257	769,000	597,743	349.0%
235	MUNICIPAL PARKING	1,158,873	1,146,463	1,223,100	1,225,731	1,238,300	12,569	1.0%
251	TIF I SOUTH	0	41,101	30,000	656,508	589,642	(66,866)	(10.2%)
255	TIF II NORTH	612,498	944,920	0	0	0	0	N/A
261	TIF III	282,692	283,801	284,200	327,713	321,750	(5,963)	(1.8%)
263	TIF IV	570,468	296,389	80,000	614,201	610,000	(4,201)	(0.7%)
264	TIF V	732,018	340,261	384,800	918,750	971,850	53,100	5.8%
301	DEBT SERVICE	16,841,847	11,035,788	28,518,317	28,518,748	7,574,500	(20,944,248)	(73.4%)
401	CAPITAL PROJECTS	6,599,503	4,352,672	4,993,200	7,774,054	7,191,900	(582,154)	(7.5%)
426	FLOOD CONTROL V	91,460	31,908	470,000	850,000	880,000	30,000	3.5%
431	PUBLIC BUILDING	22,608	17,084	437,800	437,744	705,000	267,256	61.1%
435	EMERALD ASH BORER (EAB)	0	0	53,000	53,000	378,300	325,300	613.8%
505	WATER & SEWER	13,235,573	13,652,723	14,725,600	15,197,369	15,604,400	407,031	2.7%
511	SOLID WASTE DISPOSAL	1,422,141	1,492,582	1,659,100	1,610,472	1,417,400	(193,072)	(12.0%)
515	ARTS, ENTERTAINMENT & EVENTS	655,204	456,969	839,100	843,915	507,400	(336,515)	(39.9%)
605	HEALTH INSURANCE	7,767,551	6,979,729	8,090,900	9,847,500	9,546,600	(300,900)	(3.1%)
606	RETIREE HEALTH INSURANCE	2,175,390	1,886,315	2,038,500	2,826,100	2,416,100	(410,000)	(14.5%)
611	GENERAL LIABILITY INSURANCE	649,822	657,504	870,100	934,450	920,200	(14,250)	(1.5%)
615	WORKERS' COMPENSATION	1,250,222	1,593,515	1,301,400	1,749,300	1,664,200	(85,100)	(4.9%)
621	FLEET OPERATIONS	2,927,867	2,661,691	3,882,400	4,266,648	3,755,100	(511,548)	(12.0%)
625	TECHNOLOGY	2,268,026	1,383,672	1,328,200	1,410,500	1,454,600	44,100	3.1%
705	POLICE PENSION	3,746,170	4,065,909	4,488,000	4,368,100	4,772,200	404,100	9.3%
711	FIRE PENSION	4,322,967	4,640,374	5,099,200	5,117,100	5,456,500	339,400	6.6%
TOTAL EXPENDITURES		131,817,625	120,536,672	148,608,493	159,080,318	137,443,222	(21,637,096)	(13.6%)

FUND BALANCE SUMMARY FY2013

Fund	Fund Name	5/01/12 Projected Beginning Fund Balance (Deficit)	FY2013 Revenues & Transfers In	FY2013 Expenditures & Transfers Out	FY2013 Revenues Over (Under) Expenditures	4/30/13 Estimated Ending Fund Balance (Deficit)
101	General	\$20,906,389	\$66,501,100	\$65,693,900	\$807,200	\$21,713,589
211	Motor Fuel Tax	957,000	2,118,200	2,358,800	(240,600)	716,400
215	CDBG	0	292,730	292,730	0	0
225	Fire Academy	142,850	15,000	157,850	(142,850)	0
227	Foreign Fire Insurance Tax	300,243	125,600	195,000	(69,400)	230,843
231	Criminal Investigations	38,651	769,000	769,000	0	38,651
235	Municipal Parking	4,460,131	1,063,000	1,238,300	(175,300)	4,284,831
251	TIF I South	589,642	0	589,642	(589,642)	0
261	TIF III	1,050,465	271,900	321,750	(49,850)	1,000,615
263	TIF IV	576,288	652,000	610,000	42,000	618,288
264	TIF V	2,008,897	590,700	971,850	(381,150)	1,627,747
301	Debt Service	1,797,866	7,775,644	7,574,500	201,144	1,999,010
401	Capital Projects	5,915,997	4,479,800	7,191,900	(2,712,100)	3,203,897
426	Flood Control V	2,249,355	10,000	880,000	(870,000)	1,379,355
431	Public Building	1,277,591	4,000	705,000	(701,000)	576,591
435	Emerald Ash Borer (EAB) Fund	1,947,000	0	378,300	(378,300)	1,568,700
505	Water & Sewer	5,338,333	14,996,600	15,604,400	(607,800)	4,730,533
511	Solid Waste Disposal	1,799,540	1,510,000	1,417,400	92,600	1,892,140
515	Arts, Entertainment & Events	257,021	486,500	507,400	(20,900)	236,121
605	Health Insurance	3,150,043	8,691,300	9,546,600	(855,300)	2,294,743
606	Retiree Health Insurance	0	2,416,100	2,416,100	0	0
611	General Liability Insurance	3,779,680	682,800	920,200	(237,400)	3,542,280
615	Workers' Compensation Insurance	4,803,350	1,813,400	1,664,200	149,200	4,952,550
621	Fleet Operations	5,083,236	3,052,600	3,755,100	(702,500)	4,380,736
625	Technology	1,392,077	1,454,600	1,454,600	0	1,392,077
705	Police Pension	82,842,250	9,238,000	4,772,200	4,465,800	87,308,050
711	Fire Pension	70,219,136	9,413,000	5,456,500	3,956,500	74,175,636
TOTAL ALL VILLAGE FUNDS		\$222,883,031	\$138,423,574	\$137,443,222	\$980,352	\$223,863,383

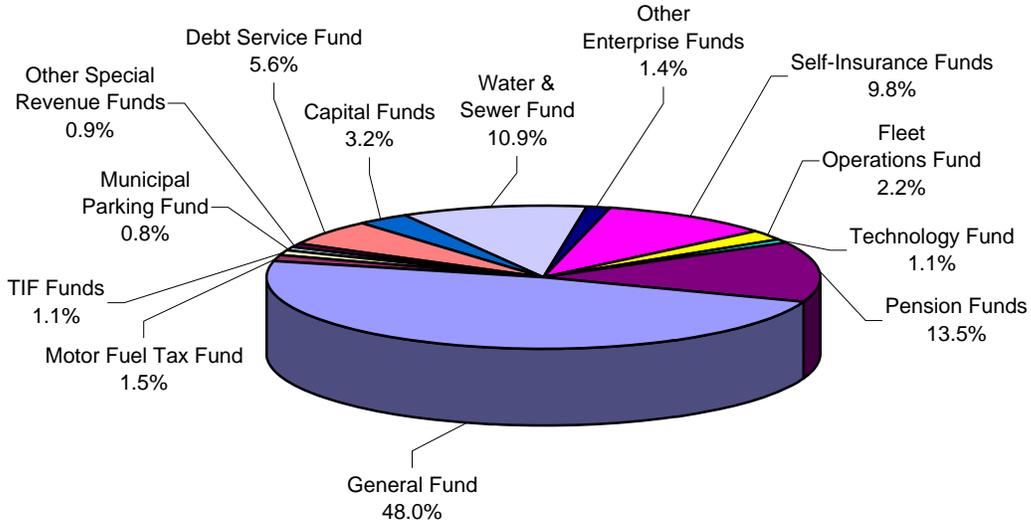
- The General Fund shows a FY2013 budget surplus for operations due to expenditure cuts in prior years and modest revenue source increases. The current financial condition of the fund is healthy as it continues to maintain a fund balance over 25% of annual expenditures.
- The Motor Fuel Tax Fund shows a planned operating deficit to complete various road improvements throughout the Village.
- Fire Academy Fund - Training of Village public safety personnel as well as recruits throughout the area is provided by this operation. Significant capital improvements are planned in FY2013 before this operation is terminated and outsourced.
- Foreign Fire Insurance Tax Fund - Insurance companies that do not maintain offices within the State but market fire insurance policies within the State pay an additional tax of 2% to the municipality where the policy is written. These funds are used for the betterment of the fire services and are controlled by a separate Board of Directors including the Fire Chief and firefighters per State Statute. Prior year revenues are being expensed this year, creating the operating deficit.
- Criminal Investigations Fund - Assets seized under State and Federal statutes are accounted for in this fund and used for the advancement of law enforcement. These funds are not budgeted for day-to-day Police Department operations but are generally one time capital expenditures of current and prior year revenues.
- Municipal Parking Fund - Primarily, commuter parking for train travel to and from Chicago is provided for in this fund. With Downtown redevelopment, resident parking for large apartment complexes and off-street shopper parking was included. Substantial fund balance is maintained for future parking garage maintenance and repairs. The deficit in operations in FY2013 is due primarily to one-time capital expenditures.
- The TIF I District ended in 2006. Current litigation creates the potential for FY2013 activity in the TIF I South Fund.
- TIF III and V Funds reflect a planned drawdown of reserves. TIF IV reflects continuing development spending.

FUND BALANCE SUMMARY FY2013

9. The Debt Service Fund accounts for all debt service payments from general obligation bond issuances except those in the Water & Sewer Fund (an enterprise fund).
10. The Capital Projects Fund shows a deficit in operations primarily as a result of street construction project costs outpacing revenues dedicated to this fund.
11. Flood Control V has a planned deficit in operations as these bond proceeds are used for their intended purpose. After all funds are exhausted the fund will be closed.
12. The Public Building Fund provided for the reconstruction of the Public Works Facility, Fire Station #1 and the Village Hall. \$20 million of G.O. Bonds were sold in 2004 to begin financing these projects and an additional \$20 million were sold in 2006 to complete these projects. Remaining fund balance can be reserved for future building projects or can be transferred to other Village funds. Funds are currently being used to extend the life of the existing Police Facility.
13. The Emerald Ash Borer is an insect that kills Ash trees. A tree removal and replacement program has been determined and will be funded by a G.O. bond issue in FY2014. The Village has 13,000 Ash trees.
14. The Water & Sewer Fund deficit in operations this year represents capital improvement costs that will be amortized with future service fees. A planned service rate increase of 5% per year for the next three years will also improve financial operating performance. Historically, low water consumption due to wet seasons has reduced revenue.
15. Solid Waste Disposal Fund - The operations of the Government Joint Venture Solid Waste Agency of Northern Cook County are provided for in this fund. Efforts to reduce solid waste removal costs and maximize disposal facility useful lives are primary objectives.
16. The Arts, Entertainment & Events Fund is designed for funding special events and the operation of the Metropolis Performing Arts Theater. The primary funding source is a .25% Food & Beverage Tax on prepared food.
17. The Health Insurance Fund has a planned operating deficit due to the potential of large health insurance claims. Actual year end results generally come in better than budgeted. This fund is operated on a pay as you go basis with a reserve for large claims.
18. Retiree Health Insurance Fund - This accounting segregates medical insurance expenses for retirees from those expenses of current staff. Retirees pay 100% of their premium for health insurance. Any operating deficit is funded on a pay-as-you-go basis from the Health Insurance Fund.
19. The General Liability Insurance Fund covers the first \$1M per claim before excess coverage takes effect. Premiums are charged to operating departments to fund operations. Past claims have been varied and actual experience is generally more favorable than budgeted.
20. The Workers' Compensation Insurance Fund provides for workers' compensation claims as the Village is self-insured.
21. The Fleet Operations Fund provides for major capital replacements. Service charges over the useful life of the equipment will replenish reserves. A healthy fund balance is maintained for vehicle and equipment replacement.
22. The Technology Fund provides for the operation of the Village's computer network infrastructure and equipment replacement. Service charges to departments are used to fund these operations.
23. Police and Fire Pension Funds are both budgeting positive results from operations this year. Funding for future liabilities of the Police and Fire Pension Funds is currently at 68% and 59% respectively. Per current State Statute, 90% funding must be reached by 2040.

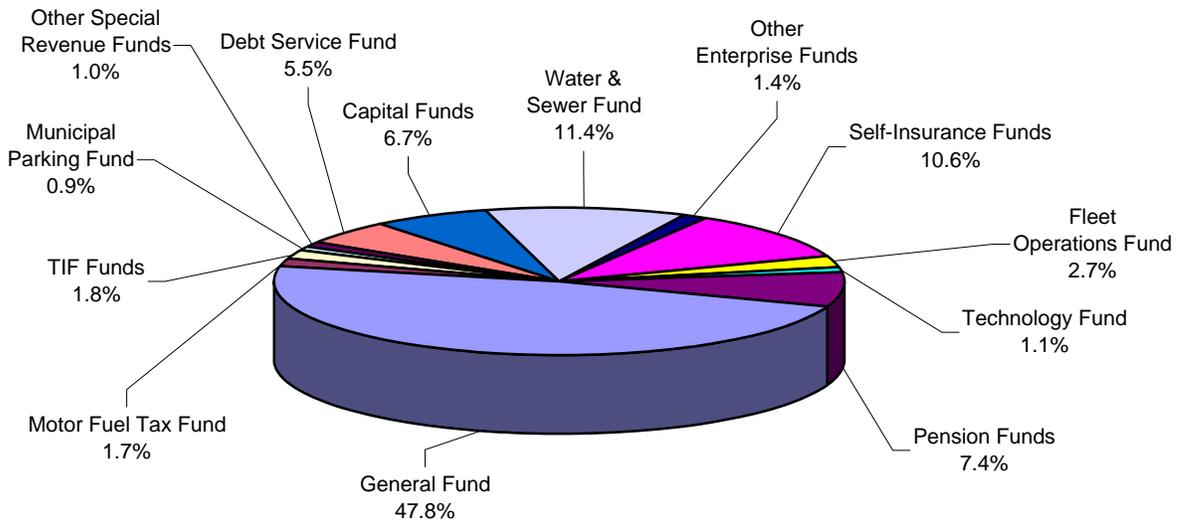
ALL FUNDS REVENUES

FY2012-2013 Budget



ALL FUNDS EXPENDITURES

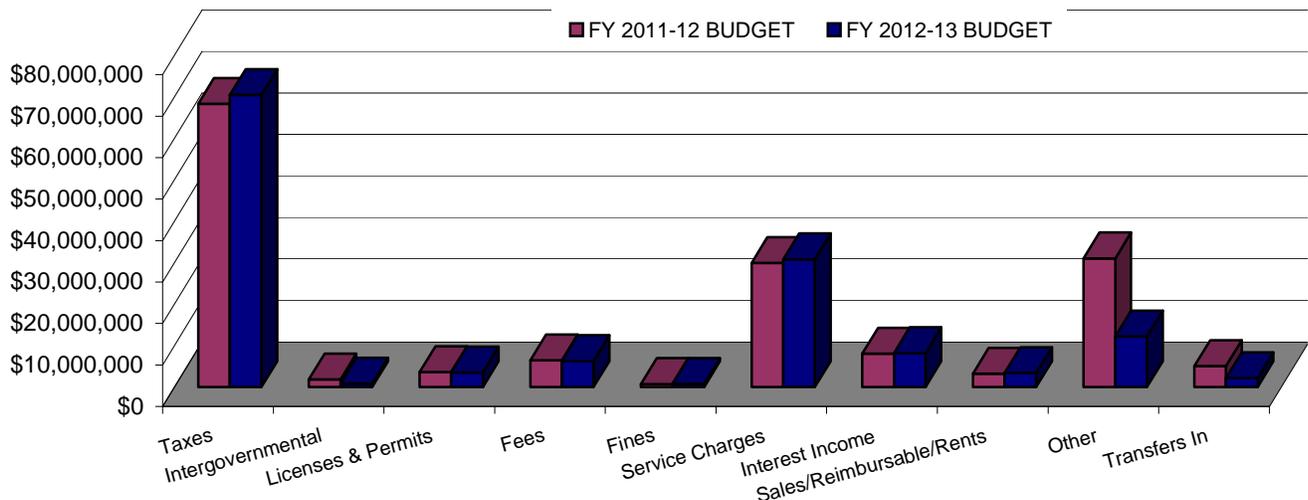
FY2012-2013 Budget



WHERE THE MONEY COMES FROM

ALL FUNDS REVENUES

FY 2011-12 BUDGET vs. FY 2012-13 BUDGET



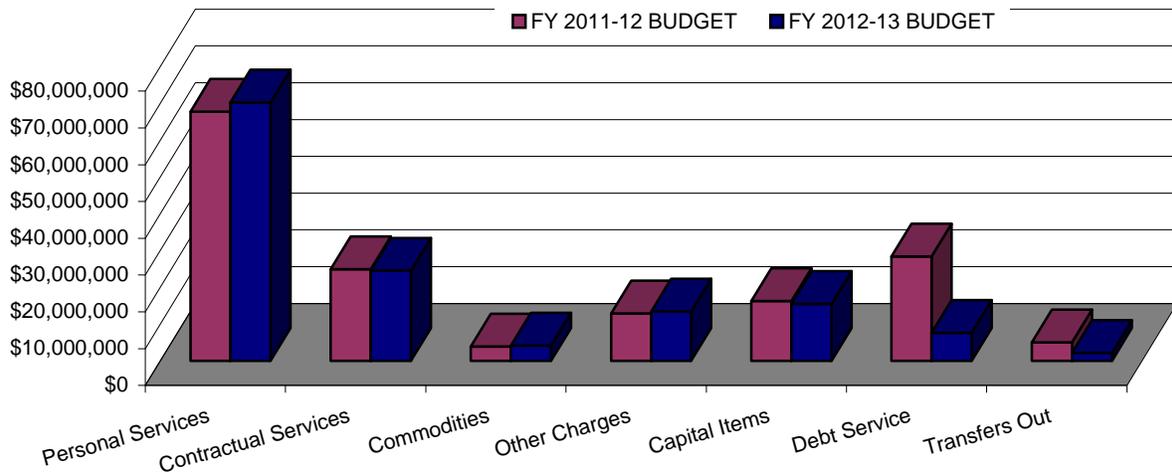
	FY 2009-10 ACTUAL	FY 2010-11 ACTUAL	FY 2011-12 BUDGET	FY 2012-13 BUDGET	% CHANGE
Taxes	61,624,742	66,051,659	68,249,900	70,436,924	3.2%
Intergovernmental	791,608	1,567,724	1,815,810	816,630	(55.0%)
Licenses & Permits	3,644,510	3,373,772	3,603,500	3,522,500	(2.2%)
Fees	6,354,422	6,219,424	6,425,800	6,234,600	(3.0%)
Fines	731,117	768,201	705,600	740,600	5.0%
Service Charges	27,044,152	28,144,647	29,927,700	30,803,200	2.9%
Interest Income	20,802,865	14,146,298	8,034,000	8,166,100	1.6%
Sales/Reimbursable/Rents	3,735,733	3,321,644	3,190,200	3,365,000	5.5%
Other	19,348,614	13,005,803	31,014,455	12,196,420	(60.7%)
	144,077,763	136,599,172	152,966,965	136,281,974	(10.9%)
Transfers In	5,137,776	1,963,851	5,029,800	2,141,600	(57.4%)
Total Revenues	149,215,539	138,563,023	157,996,765	138,423,574	(12.4%)

NOTE: **Taxes** increased due to utility tax receipts and a redistribution in the real estate tax levy, from the Debt Service Fund to the pension funds and the General Fund. **Intergovernmental** revenues decreased due to the rebudgeted amount for the proposed Northwest Highway/Wilke Road traffic signal project reflecting only the local portion of the total cost. The State grant portion which was previously included will not be billed through the Village. **Service Charges** increased primarily due to the 5% scheduled increase in water and sewer rates. **Sales/Reimbursable/Rents** increased due to retiree insurance coverage and annual premium fluctuations. **Other** revenues decreased due to the proceeds of the bond refinancing being realized last year. **Transfers In** decreased due to the \$2 million initial funding of the Emerald Ash Borer (EAB) Program in the prior year.

WHERE THE MONEY GOES

ALL FUNDS EXPENDITURES

FY 2011-12 BUDGET vs. FY 2012-13 BUDGET



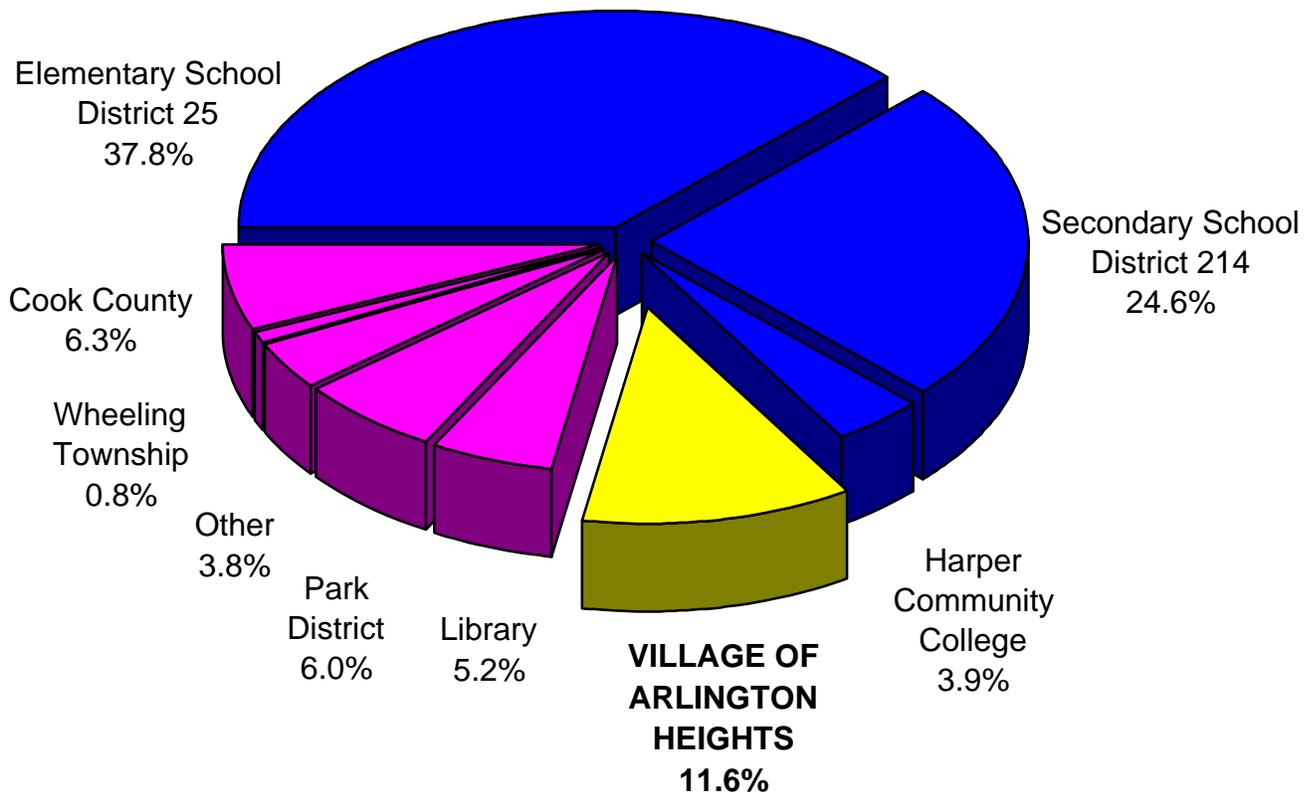
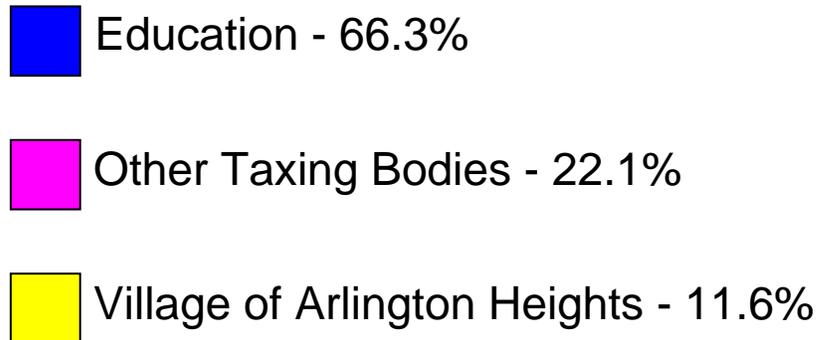
	FY 2009-10 ACTUAL	FY 2010-11 ACTUAL	FY 2011-12 BUDGET	FY 2012-13 BUDGET	% CHANGE
Personal Services	63,228,272	64,651,820	67,721,850	70,210,545	3.7%
Contractual Services	21,621,473	21,469,984	24,921,847	24,494,842	(1.7%)
Commodities	3,390,367	3,174,895	3,878,055	4,137,200	6.7%
Other Charges	11,448,174	9,119,586	12,918,578	13,373,585	3.5%
Capital Items	9,792,468	9,157,174	16,239,785	15,510,950	(4.5%)
Debt Service	17,199,095	10,999,362	28,370,403	7,574,500	(73.3%)
	126,679,849	118,572,821	154,050,518	135,301,622	(12.2%)
Transfers Out	5,137,776	1,963,851	5,029,800	2,141,600	(57.4%)
Total Expenditures	131,817,625	120,536,672	159,080,318	137,443,222	(13.6%)

NOTE: **Personal Services** increased due to pension, health insurance and wage adjustments. There was a 0% wage adjustment for all employee groups in the prior year. **Commodities** increased due to the expanded street paving program in Public Works. **Other Charges** increased due to projected sales tax abatement increases per agreements. Medical claims are also budgeted at the maximum exposure level and dental claims are budgeted higher to reflect actual trends. **Capital Items** decreased due to the rebudgeted amount for the proposed Northwest Highway/Wilke traffic signal project reflecting only the local portion of the total cost. The State's portion of the cost which was previously included will not be billed through the Village. **Debt Service** expenditures decreased as last fiscal year included two bond refinancings. **Transfers Out** decreased mainly due to the \$2 million initial funding of the Emerald Ash Borer (EAB) Program in the prior year.

Village of Arlington Heights

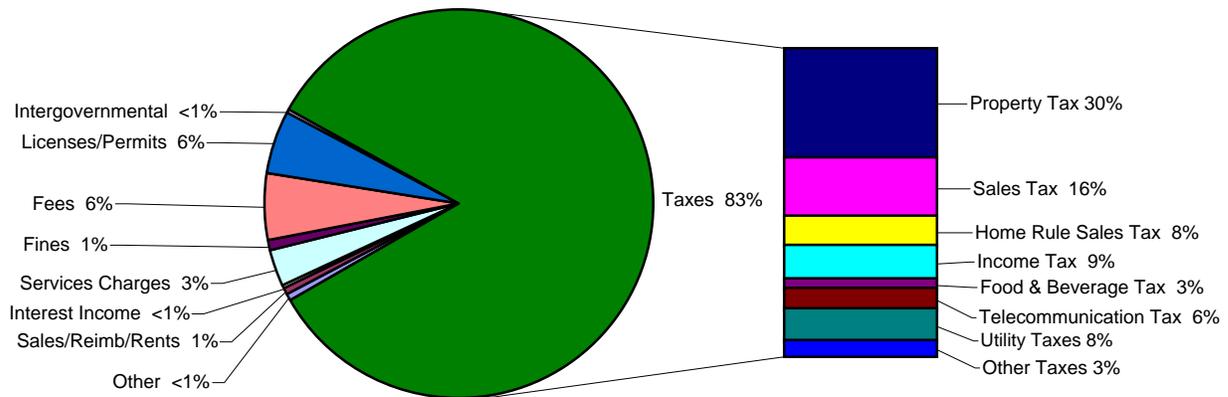
2010 PROPERTY TAX BILL

(Depicts the "most" common tax bill, assuming School District 25.
Depends on School District and Township boundaries.)



AS THE ABOVE PIE CHART ILLUSTRATES, THE VILLAGE OF ARLINGTON HEIGHTS
CONSISTS OF 11.6% OF THE ENTIRE PROPERTY TAX BILL.

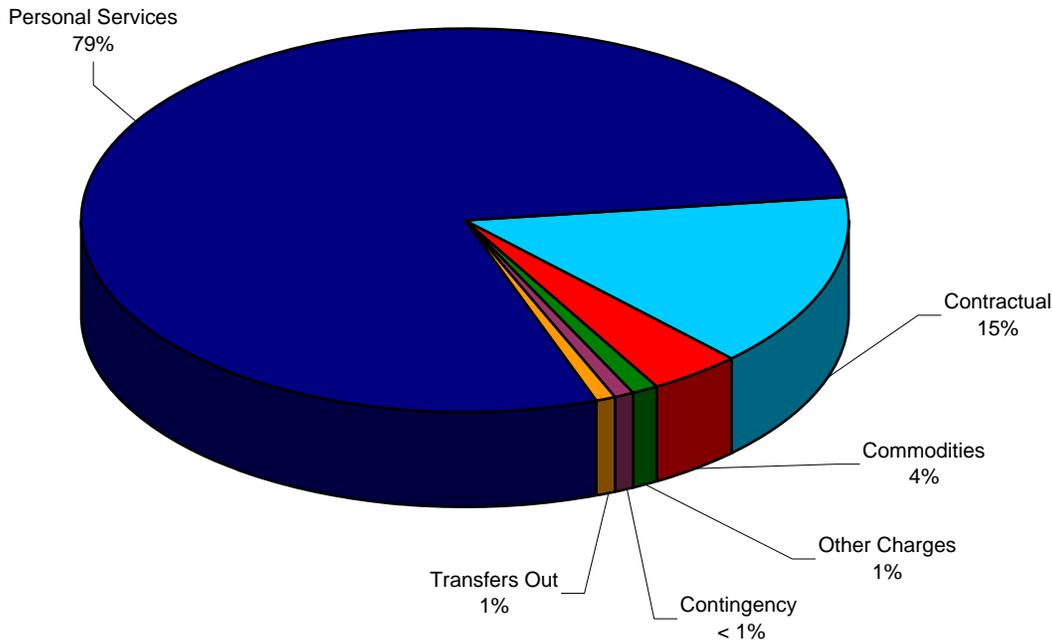
WHERE THE MONEY COMES FROM GENERAL FUND REVENUES 2012-2013 Fiscal Year



	FY 2009-10 ACTUAL	FY 2010-11 ACTUAL	FY 2011-12 BUDGET	FY 2012-13 BUDGET	% CHANGE
Taxes	44,409,167	51,306,194	52,596,500	55,560,580	5.6%
Intergovernmental	364,146	382,698	206,564	168,000	(18.7%)
Licenses/Permits	3,644,510	3,373,772	3,603,500	3,522,500	(2.2%)
Fees	3,621,190	3,755,725	3,663,600	3,697,600	0.9%
Fines	680,269	694,029	645,600	640,600	(0.8%)
Service Charges	1,960,514	2,021,291	2,037,700	2,070,700	1.6%
Interest Income	205,407	120,768	150,000	130,000	(13.3%)
Sales/Reimb/Rents	448,573	406,325	418,200	420,200	0.5%
Other	369,818	282,646	281,500	290,920	3.3%
Transfers In	3,599,697	60,186	0	0	0.0%
Total Revenue	59,303,291	62,403,634	63,603,164	66,501,100	4.6%

NOTE: **Taxes** increased due to a redistribution of real estate tax levies from the Debt Service Fund to the pension funds and the General Fund. Utility Tax receipts increased due to consumption and supply pricing, and Sales Tax receipts increased based on the economy improving and the cost of goods increasing. **Intergovernmental** revenues show a decrease due to a grant for energy efficient programs from the Federal Government being completed. **Licenses/Permits** decreased due to reduced Business License demand. **Interest Income** has been reduced due to market rates.

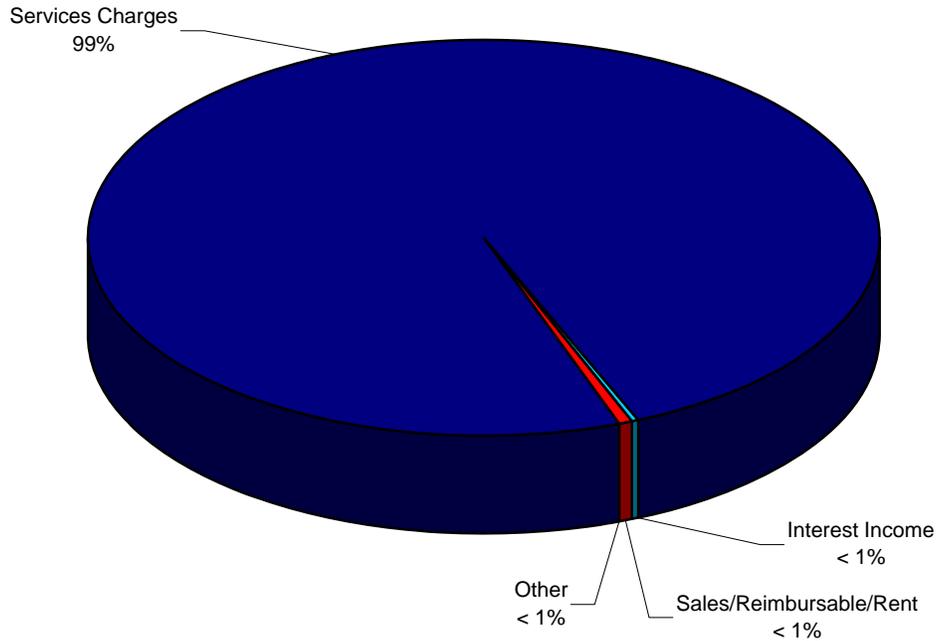
WHERE THE MONEY GOES GENERAL FUND EXPENDITURES 2012-2013 FISCAL YEAR



	FY 2009-10 ACTUAL	FY 2010-11 ACTUAL	FY 2011-12 BUDGET	FY 2012-13 BUDGET	% CHANGE
Personal Services	47,614,720	48,269,157	50,306,075	51,730,500	2.8%
Contractual Services	8,594,402	8,519,534	9,187,077	9,517,400	3.6%
Commodities	2,027,580	2,034,310	2,410,249	2,636,700	9.4%
Other Charges	2,494,087	498,407	612,050	679,800	11.1%
Contingency	0	0	471,175	497,600	5.6%
Transfers Out	291,000	290,700	3,069,900	631,900	(79.4%)
Total Expenditures	61,021,789	59,612,108	66,056,526	65,693,900	(0.5%)

NOTE: **Personal Services** increased due to pension, health insurance, and wage adjustments. There was a 0% wage adjustment for all employee groups in the prior year. **Contractual Services** increased due in part to higher Northwest Central Dispatch charges. Vehicle lease charges increased due to higher replacement costs. Police IT charges increased significantly in order to cover the future replacement of the in-car computer units. **Commodities** increased due to fuel costs and street and sidewalk supplies in Public Works for expanded street paving repairs. **Other Charges** increased due to projected sales tax abatement increases per agreement. **Contingency** is budgeted each year but if used, is classified as an expenditure type. If not used it becomes part of available reserves. The FY2012 budget shows that there is still \$471,175 remaining as a contingency as of the date of this writing. As was done in FY2012, a large contingency amount is budgeted in FY2013 due to the unknown potential effects of the State of Illinois' budget issues. **Transfers Out** decreased due to funds transferred to the Emerald Ash Borer (EAB) Fund in the prior year.

WHERE THE MONEY COMES FROM WATER & SEWER FUND REVENUES 2012-2013 FISCAL YEAR



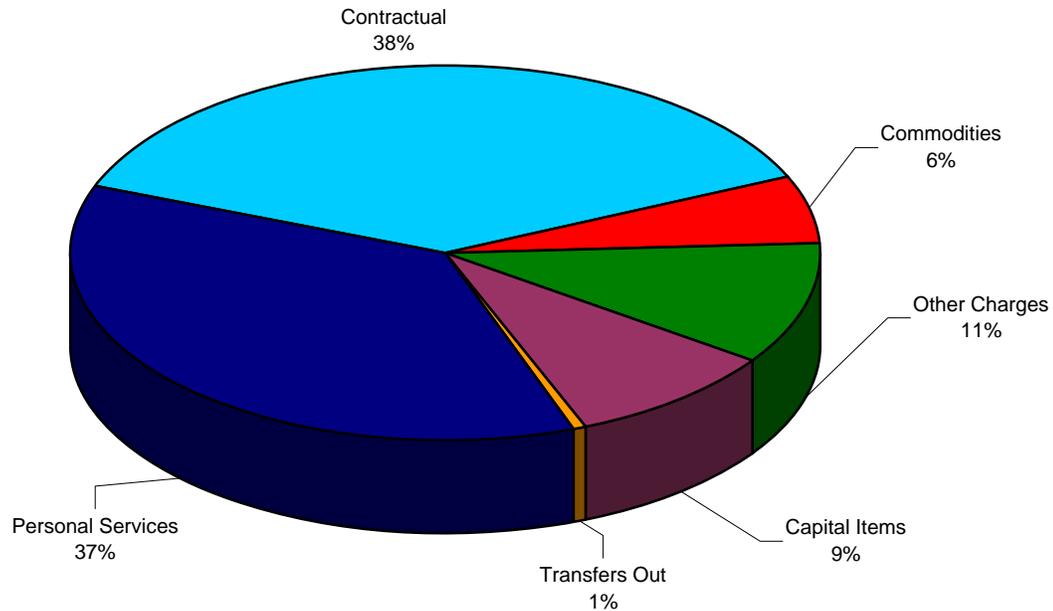
	FY 2009-10 ACTUAL	FY 2010-11 ACTUAL	FY 2011-12 BUDGET	FY 2012-13 BUDGET	% CHANGE
Services Charges	11,908,829	12,730,188	14,455,100	14,869,600	2.9%
Interest Income	83,884	39,606	60,000	30,000	(50.0%)
Sales/Reimbursable/Rent	58,309	89,959	82,000	82,000	0.0%
Other	42,743	(69,476)	15,000	15,000	0.0%
Total Revenues	12,093,765	12,790,277	14,612,100	14,996,600	2.6%

NOTE: **Service Charges** include sales for water and sewer service. Water consumption has been projected lower based on historical trends and due to the closing of the Sheraton Hotel. A combined water and sewer rate increase of 5% was also approved effective as of May 1, 2012. **Interest Income** has been reduced due to market rates.

WHERE THE MONEY GOES

WATER & SEWER FUND EXPENDITURES

2012-2013 FISCAL YEAR



	FY 2009-10 ACTUAL	FY 2010-11 ACTUAL	FY 2011-12 BUDGET	FY 2012-13 BUDGET	% CHANGE
Personal Services	5,135,245	5,256,961	5,480,800	5,687,200	3.8%
Contractual	5,367,100	5,448,774	5,785,459	5,862,500	1.3%
Commodities	841,224	566,338	864,715	879,200	1.7%
Other Charges	1,311,113	1,292,058	1,611,415	1,661,000	3.1%
Capital Items	580,891	1,088,592	1,374,980	1,434,500	4.3%
Transfers Out	0	0	80,000	80,000	0.0%
Total Expenditures	13,235,573	13,652,723	15,197,369	15,604,400	2.7%

NOTE: **Personal Services** increased due to pension, health insurance, and wage adjustments. These was a 0% wage adjustment for all employee groups in the prior year. **Capital Items** increased due to expanded water tank painting and the Pump Station 17 bypass line to provide a redundant water supply.

VILLAGE OF ARLINGTON HEIGHTS EMPLOYEE CENSUS

Ten Year Analysis

DEPARTMENT		FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Manager's Office	Full-Time	5.00	5.00	5.00	5.50	5.50	6.50	6.50	6.00	6.00	6.00
	Part-Time	0.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	Full-Time	4.00	4.00	4.00	4.50	4.50	4.50	4.50	4.00	4.00	4.00
	Part-Time	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Legal	Full-Time	2.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00
	Part-Time	3.00	3.00	3.00	3.00	3.00	4.00	4.00	3.00	3.00	3.00
Finance	Full-Time	20.00	20.00	20.00	19.00	19.00	19.00	18.00	17.00	17.00	17.00
	Part-Time	4.00	4.00	4.00	3.00	3.00	3.00	2.00	2.00	1.00	1.00
IT/GIS	Full-Time	9.00	9.00	9.00	7.00	7.00	7.00	7.00	7.00	6.00	6.00
	Part-Time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Police	Full-Time	146.00	146.00	146.00	146.00	148.00	148.00	146.00	138.00	137.00	137.00
	Part-Time	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Police Grant	Full-Time	3.00	3.00	3.00	3.00	1.00	1.00	1.00	1.00	1.00	1.00
	Part-Time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fire	Full-Time	105.00	105.00	106.00	105.00	114.00	114.00	113.00	110.00	109.00	109.00
	Part-Time	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	3.00	3.00
Planning & Comm Devlp	Full-Time	11.00	11.00	11.00	11.00	11.00	11.00	11.00	9.00	9.00	9.00
	Part-Time	2.00	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00
Building Services	Full-Time	19.00	19.00	18.00	18.00	18.00	19.00	18.00	17.00	15.00	15.00
	Part-Time	0.00	0.00	0.00	0.00	1.00	1.00	1.00	1.00	3.00	3.00
Health Services	Full-Time	11.00	11.00	11.00	11.00	11.00	11.00	11.00	10.00	9.00	9.00
	Part-Time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Youth Services	Full-Time	2.00	2.00	2.00	2.00	2.00	2.00	2.00	0.00	0.00	0.00
	Part-Time	2.00	2.00	3.00	3.00	3.00	3.00	3.00	0.00	0.00	0.00
Senior Services	Full-Time	4.00	4.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00
	Part-Time	1.00	2.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Engineering	Full-Time	14.00	13.00	13.00	13.00	13.00	13.00	12.00	10.00	10.00	10.00
	Part-Time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Works	Full-Time	50.00	49.00	49.00	49.00	49.00	50.00	49.00	44.00	42.00	42.00
	Part-Time	0.00	1.00	0.00	0.00	0.00	1.00	1.00	1.00	1.00	1.00
Water Utility Operations	Full-Time	41.00	41.00	41.00	41.00	41.00	41.00	41.00	41.00	40.00	40.00
	Part-Time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fleet Services	Full-Time	11.00	11.00	11.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
	Part-Time	0.00	0.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
TOTAL	Full-Time	457.00	455.00	453.00	449.00	458.00	460.00	452.00	426.00	417.00	417.00
	Part-Time	16.00	18.00	23.00	20.00	21.00	23.00	21.00	17.00	20.00	20.00
TOTAL EMPLOYEES		473.00	473.00	476.00	469.00	479.00	483.00	473.00	443.00	437.00	437.00
INCREASE (DECREASE)		(9.00)	0.00	3.00	(7.00)	10.00	4.00	(10.00)	(30.00)	(6.00)	0.00
FULL-TIME EQUIVALENTS (FTE)		465.00	463.50	464.00	458.50	468.25	471.75	462.75	434.50	427.00	427.00
INCREASE (DECREASE)		(8.00)	(1.50)	0.50	(5.50)	9.75	3.50	(9.00)	(28.25)	(7.50)	0.00

(1) The full-time Director of Building & Health Services position is split 50/50 between Building Services and Health Services and is shown only in Building Services so as not to skew the total count.

(2) A part-time employee is shared between Public Works and Water Utility Operations and is shown only in Public Works so as not to skew the total count.

VILLAGE OF ARLINGTON HEIGHTS
EXPENDITURES AND STAFFING
SUMMARY BY OPERATION FY2013

OPERATION	STAFFING			EXPENDITURES		
	Budget FY2012	Budget FY2013	Increase (Decrease)	Budget FY2012	Budget FY2013	Increase (Decrease)
Board of Trustees	0.00	0.00		\$191,235	\$190,500	(\$735)
Village Manager	6.00	6.00		891,400	926,200	34,800
Human Resources	4.00	4.00		13,644,650	13,410,700	(233,950)
Legal	2.75	2.75		725,200	729,600	4,400
Finance/Village Clerk/IT/GIS	23.50	23.50		4,910,409	4,993,500	83,091
Boards & Commissions	0.00	0.00		293,498	258,600	(34,898)
Metropolis Theater	0.00	0.00		483,965	186,000	(297,965)
Police/Police Grant	139.00	139.00		22,624,140	23,383,400	759,260
Fire	110.50	110.50		18,877,687	19,600,300	722,613
Planning & Community Development	9.00	9.00		3,664,305	3,441,687	(222,618)
Building & Health Services	29.25	29.25		3,970,655	4,070,500	99,845
Engineering	10.00	10.00		10,739,032	10,216,600	(522,432)
Public Works	41.75	41.75		12,635,052	13,439,000	803,948
Comm Development Block Grant Program	0.00	0.00		246,221	86,685	(159,536)
Fire Academy	0.00	0.00		177,452	152,850	(24,602)
Foreign Fire Insurance Tax	0.00	0.00		165,000	195,000	30,000
Criminal Investigations	0.00	0.00		171,257	769,000	597,743
Parking Operations	0.00	0.00		619,367	635,900	16,533
Debt Service	0.00	0.00		28,518,748	7,574,500	(20,944,248)
Capital Projects	0.00	0.00		3,397,014	2,919,000	(478,014)
Water Utility Operations	40.75	40.75		12,847,559	13,097,200	249,641
Solid Waste Disposal	0.00	0.00		1,610,472	1,417,400	(193,072)
Municipal Fleet Services	10.50	10.50		1,973,300	2,046,900	73,600
Pensions	0.00	0.00		9,485,200	10,228,700	743,500
Sub-Total Village	427.00	427.00	0.00	\$152,862,818	\$133,969,722	(\$18,893,096)
Non-Operating & Transfers Out	N/A	N/A	N/A	6,217,500	3,473,500	(2,744,000)
TOTAL VILLAGE	427.00	427.00	0.00	\$159,080,318	\$137,443,222	(\$21,637,096)
MEMORIAL LIBRARY	148.90	149.40	0.50	13,607,473	15,819,949	2,212,476
TOTAL VILLAGE & LIBRARY	575.90	576.40	0.50	\$172,687,791	\$153,263,171	(\$19,424,620)

CIP / Debt Service

**VILLAGE OF ARLINGTON HEIGHTS
CAPITAL IMPROVEMENT PROGRAM SUMMARY**

The Village of Arlington Heights prepares annually a Capital Improvement Program (CIP) for the five-year period beginning with the next fiscal year. The CIP is a planning document which is reviewed by the Village Board and is prepared by the Village Manager and Finance Director with the assistance of all Department Heads. Included are capital expenditures projected to cost in excess of \$10,000 and have an expected lifetime of one or more years. The CIP is subject to further review and approval by the Village Board during the final budget process, based on available resources and expenditure requirements of the operations budget. What follows is a summary of all CIP expenditures and projects included in the budget for FY 2012-13.

CAPITAL SPENDING

Building & Land	\$ 1,245,450
Equipment	1,442,400
Sewer	1,130,000
Signals	665,100
Streets	7,297,100
Vehicles	1,744,000
Water	925,000
TOTAL	<u><u>\$ 14,449,050</u></u>

CAPITAL FUNDING

Capital Projects Fund	\$ 6,848,300
Water & Sewer Fund	1,434,500
Motor Fuel Tax Fund	1,924,700
Fire Academy Fund	138,850
Municipal Parking Operations Fund	60,000
Flood Control V Fund	880,000
Public Building Fund	705,000
Emerald Ash Borer (EAB) Fund	45,000
Arts, Entertainment & Events (A&E) Fund	31,000
Fleet Operations Fund	1,744,000
Technology Fund	231,800
State/Federal/County & Grant Funds	405,900
TOTAL	<u><u>\$ 14,449,050</u></u>

CAPITAL IMPROVEMENT PROGRAM (CIP) FIVE YEAR SPENDING AND FUNDING SUMMARY

CAPITAL SPENDING			EST ACT	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
FUND	PROJ #		2011-12	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Building & Land									
Overhead Door Replacement	Cap Proj	BL-90-04	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Public Works Annex Improvements	Cap Proj	BL-93-02	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Public Works Annex Improvements	Water	BL-93-02	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Building Equipment Replacement	Cap Proj	BL-95-04	61,400	61,425	30,000	30,000	30,000	30,000	30,000
Municipal Buildings Refurbishing	Cap Proj	BL-95-05	30,000	30,000	30,000	32,000	32,000	32,000	32,000
Roof Maintenance Program	Cap Proj	BL-95-06	324,000	375,000	225,700	46,500	162,000	29,500	91,000
Roof Maintenance Program	Water	BL-95-06	54,900	52,000	0	0	0	0	0
Heating Plant/Air Conditioner Replacement	Cap Proj	BL-96-01	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Ongoing Maintenance to Brick Exterior	Parking	BL-96-03	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Ongoing Maintenance to Brick Exteriors	Cap Proj	BL-96-03	20,000	26,149	20,000	20,000	20,000	20,000	20,000
Historical Society Museum - Building Repairs	Cap Proj	BL-96-04	50,000	50,000	25,000	25,000	25,000	25,000	25,000
John G. Woods Municipal Campus	Pub Bld	BL-98-06	0	0	0	0	0	0	0
Parking Structure Sealer/Sealant Replacement	Parking	BL-00-06	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Emergency Power for Senior Center	Cap Proj	BL-08-02	0	0	0	0	0	0	0
Replace Trench Drains in Fleet Operation	Cap Proj	BL-08-03	0	0	0	0	0	0	0
Police Station (Space Needs Study)	Pub Bld	BL-08-04	19,000	18,966	0	0	0	0	0
Fire Academy Maintenance	Fire Acad	BL-10-03	50,600	59,434	129,750	0	0	0	0
Police Building Maintenance	Cap Proj	BL-10-04	0	0	0	0	0	0	0
Police Building Maintenance	Pub Bld	BL-10-04	418,800	418,778	600,000	300,000	120,000	71,091	0
Solar Bike Shelter	Cap Proj	BL-10-15	0	0	0	0	0	0	0
Vail Garage Elevator Car Refurbishment	Parking	BL-11-01	0	0	0	0	0	0	0
Paint North Garage	Parking	BL-12-02	58,800	58,800	0	0	0	0	0
Garage U (Underground) Signage	Parking	BL-12-03	5,000	5,000	0	0	0	0	0
Phone System Replacement	Pub Bld	BL-13-15	0	0	105,000	91,000	0	0	0
Sub-total Building & Land			1,172,500	1,235,552	1,245,450	624,500	469,000	287,591	278,000
Equipment									
Operational Equipment - Public Works	Cap Proj	EQ-94-01	135,800	135,774	107,500	148,300	67,800	80,200	136,800
Operational Equipment - Public Works	EAB	EQ-94-01	0	0	45,000	0	0	0	0
Operational Equipment - Public Works	Water	EQ-94-01	187,100	187,077	166,500	204,900	181,000	224,000	209,700
Operational Equipment - Police Department	Cap Proj	EQ-95-01	84,500	84,585	0	50,100	66,100	66,600	69,000
Operational Equipment - Fire Dept	Fire Acad	EQ-95-02	0	0	9,100	0	0	0	0
Operational Equipment - Fire Department	Cap Proj	EQ-95-02	100,000	110,000	96,000	118,000	94,000	94,000	110,000
Office Equipment	Cap Proj	EQ-95-03	31,900	30,055	18,700	25,000	25,000	25,000	25,000
Office Equipment	Water	EQ-95-03	19,200	19,203	15,000	15,000	15,000	15,000	15,000
Operational Equipment - Municipal Fleet Services	Cap Proj	EQ-97-01	8,000	8,000	35,800	24,500	21,000	31,000	31,000
IT Equipment Replacement	IT	EQ-97-08	200,000	221,800	231,800	231,800	236,800	241,800	241,800
Emergency Generator Upgrade	Water	EQ-99-02	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Operational Equipment - Information Technology	Cap Proj	EQ-01-03	75,000	75,364	85,000	95,000	80,000	150,000	135,000
Operational Equipment - Engineering Department	Cap Proj	EQ-01-04	5,000	5,000	5,000	5,000	5,000	0	0
Vulnerability Assessment Implementation	Water	EQ-05-02	10,000	10,000	0	0	0	0	0
Equipment Replacement - Metropolis	A&E	EQ-06-03	34,000	33,965	31,000	32,000	33,000	34,000	35,000
Operational Equipment - Teen Center	Cap Proj	EQ-08-01	0	0	0	0	0	0	0
Patrol Vehicle Equipment Replacement Program	Cap Proj	EQ-08-03	0	0	0	0	20,000	42,000	42,000
Operational Equipment - Municipal Parking Fund	Parking	EQ-09-01	5,000	5,000	10,000	10,000	10,000	10,000	10,000
2-Way Mobile Radio Replacement	Water	EQ-09-02	0	0	48,000	0	0	0	0
2-Way Mobile Radio Replacement - Public Works	Cap Proj	EQ-09-05	0	0	180,000	0	0	0	0
Fluid Delivery System	Cap Proj	EQ-10-01	0	0	0	0	0	0	0
Radio System Replacement - Police & Fire	Cap Proj	EQ-13-01	0	0	348,000	0	0	0	0
Sub-Total Equipment			905,500	935,823	1,442,400	969,600	864,700	1,023,600	1,070,300
Sewers									
Sewer Rehab/Replacement Program	Water	SW-90-01	309,000	309,205	250,000	300,000	300,000	300,000	300,000
Weller Creek Flood Control South Branch	FLDV	SW-91-03	0	0	0	0	0	0	0
Grove Street Sanitary Sewer	FLDV	SW-97-01	200,000	500,000	250,000	0	0	0	0
Sanitary Lift Station Pumps	Water	SW-98-01	0	0	0	0	0	0	0
Federal Stormwater Regulation Measures	Water	SW-05-04	10,000	10,000	0	0	0	0	0
Vail Avenue Storm Sewer Extension	FLDV	SW-10-01	0	0	0	0	0	0	0
Salem Avenue Inlet	FLDV	SW-10-02	0	0	0	0	0	0	0
Regent Park Sanitary Relief Sewer	Water	SW-11-01	0	0	0	0	0	0	0
Neighborhood Drainage Improvements	FLDV	SW-11-02	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Cypress Detention Basin/Lift Station	FLDV	SW-11-05	70,000	150,000	80,000	0	0	0	0
Council Trail Sewer & Street Improvements	TIF IV	SW-13-01	0	0	0	600,000	0	0	0
Flood Study	FLDV	SW-13-02	0	0	150,000	0	0	0	0
Utility Modeling	FLDV	SW-13-03	0	0	200,000	0	0	0	0
Sub-Total Sewers			789,000	1,169,205	1,130,000	1,100,000	500,000	500,000	500,000

CAPITAL IMPROVEMENT PROGRAM (CIP) FIVE YEAR SPENDING AND FUNDING SUMMARY

CAPITAL SPENDING (continued)			EST ACT	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
	Fund	PROJ #	2011-12	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Signals									
Traffic Signal Maintenance	MFT	SG-03-02	111,500	106,100	113,800	116,100	118,400	120,800	123,200
Traffic Signal Imprv at Northwest Hwy/Wilke	Cap Proj	SG-08-02	100,000	1,151,298	551,300	0	0	0	0
Sub-Total Signals			211,500	1,257,398	665,100	116,100	118,400	120,800	123,200
Streets									
Street Resurfacing Program	Cap Proj	ST-90-08	3,140,000	3,228,270	3,300,000	3,400,000	3,500,000	3,600,000	3,700,000
Street Rehabilitation Program	MFT	ST-90-09	1,832,500	2,047,000	2,045,000	2,045,000	2,045,000	2,045,000	2,045,000
Sidewalk & Curb Replacement	Cap Proj	ST-90-11	305,000	305,000	315,000	325,000	335,000	345,000	355,000
Pavement Crack Sealing Program	MFT	ST-92-01	85,000	85,000	100,000	85,000	85,000	85,000	85,000
Green Corridor Beautification	TIF IV	ST-99-03	0	0	0	0	0	95,000	0
Green Corridor Beautification	Cap Proj	ST-99-03	20,000	28,232	0	0	0	0	0
Street Light Cable Replacement	Cap Proj	ST-00-01	14,000	13,990	10,000	10,000	10,000	10,000	10,000
HPS Street Light Conversion	Cap Proj	ST-00-03	5,000	5,000	0	0	0	0	0
Gateway Signs & Beautification	Cap Proj	ST-01-01	0	10,249	10,200	0	0	0	0
Arterial Street Lighting Program	Cap Proj	ST-04-01	0	0	0	0	0	0	0
UPRR Pedestrian Underpass-Kensington/NW Hwy	Cap Proj	ST-04-03	0	0	0	0	0	0	0
Paver Brick Maintenance	Cap Proj	ST-05-01	58,900	58,854	25,000	25,000	25,000	25,000	25,000
Northwest Hwy/Davis Street/Arthur Avenue	Cap Proj	ST-05-03	22,000	1,236,864	1,214,900	1,000,000	0	0	0
Northwest Community Hospital Area Traffic Improv.	Cap Proj	ST-08-04	0	0	0	0	0	0	0
Parking Lot Resurfacing	Parking	ST-09-01	25,000	25,000	40,000	0	0	0	0
Parking Lot Resurfacing	Cap Proj	ST-09-01	25,000	25,000	75,000	20,000	0	0	0
McDonald Creek Bike Trail Repair	Cap Proj	ST-09-03	50,000	50,000	0	0	0	0	0
Douglas Avenue Multi-Use Path	Cap Proj	ST-09-04	23,000	30,000	0	0	0	0	0
Algonquin Road Street Lighting	MFT	ST-09-12	200,000	210,000	0	0	0	0	0
Commuter Drive Reconstruction	Cap Proj	ST-11-05	15,000	177,000	162,000	0	0	0	0
Davis/Sigwalt Streets Fencing/Landscape Upgrade	Cap Proj	ST-12-01	12,000	81,000	0	0	0	0	0
Downtown Street Furniture	Cap Proj	ST-14-01	0	0	0	10,000	10,000	10,000	10,000
Sub-Total Streets			5,832,400	7,616,459	7,297,100	6,920,000	6,010,000	6,215,000	6,230,000
Vehicles									
Vehicle and Special Equipment Repl - Public Works	Fleet	VH-95-01	584,300	726,232	721,000	1,397,000	1,243,100	577,000	256,000
Vehicle and Special Equipment Repl - Water & Sewer	Fleet	VH-95-02	118,000	226,000	633,000	268,000	398,500	454,000	420,000
Vehicle Replacement - Police Department	Fleet	VH-95-03	345,200	339,300	106,000	63,000	254,500	238,500	227,500
Vehicle Replacement - Fire Department	Fleet	VH-95-04	894,500	984,816	63,000	1,100,000	562,500	615,500	35,000
Vehicle Replacement - Municipal Fleet Services	Fleet	VH-95-06	0	25,000	26,000	0	41,000	0	0
Vehicle Replacement - Municipal Parking Operations	Fleet	VH-95-08	0	0	22,000	18,000	23,000	80,000	0
Vehicle Replacement - Building & Health Services	Fleet	VH-95-10	0	0	81,000	63,000	40,000	109,000	40,000
Vehicle Replacement - Engineering Department	Fleet	VH-95-11	0	0	46,000	50,000	50,000	50,000	0
Vehicle Replacement - Planning Department	Fleet	VH-95-12	0	0	23,000	0	0	23,000	0
Vehicle Replacement - Village Manager's Office	Fleet	VH-95-13	0	0	23,000	0	0	0	0
Vehicle Replacement - IT/GIS Department	Fleet	VH-95-15	0	0	0	0	0	23,000	0
Sub-Total Vehicles			1,942,000	2,301,348	1,744,000	2,959,000	2,612,600	2,170,000	978,500
Water									
Watermain Replacement Program	Water	WA-90-01	411,500	411,529	350,000	400,000	400,000	400,000	400,000
Automatic Meter Reading System	Water	WA-03-02	100,000	100,000	0	0	100,000	200,000	200,000
Lynnwood Subdivision Utility Installation	Water	WA-04-01	0	0	0	0	0	0	0
Rehabilitation of Deep Well 9 & Well 16	Water	WA-09-01	0	0	0	0	0	0	0
Water Tank Repainting	Water	WA-11-01	195,500	195,500	500,000	0	200,000	200,000	200,000
Deep Well Rehabilitation	Water	WA-11-02	50,500	50,466	0	275,000	0	275,000	0
Pump Station 17 NWWC Bypass	Water	WA-13-05	0	0	75,000	0	0	0	0
Sub-Total Water			757,500	757,495	925,000	675,000	700,000	1,075,000	800,000
Total Capital Spending			11,610,400	15,273,280	14,449,050	13,364,200	11,274,700	11,391,991	9,980,000

CAPITAL IMPROVEMENT PROGRAM (CIP) FIVE YEAR SPENDING AND FUNDING SUMMARY

CAPITAL FUNDING BY FUND	EST ACT	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
	2011-12	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Capital Projects Fund	4,472,300	6,245,609	6,848,300	5,459,400	4,577,900	4,665,300	4,896,800
Water & Sewer Fund	1,352,200	1,374,980	1,434,500	1,224,900	1,226,000	1,644,000	1,354,700
Motor Fuel Tax Fund	1,894,900	2,448,100	1,924,700	1,912,000	1,914,300	2,250,800	2,253,200
Fire Academy Fund	50,600	59,434	138,850	0	0	0	0
Municipal Parking Operations Fund	103,800	103,800	60,000	20,000	20,000	20,000	20,000
TIF IV Fund	0	0	0	600,000	0	95,000	0
Flood Control V Fund	270,000	850,000	880,000	200,000	200,000	200,000	200,000
Public Buildings Fund	437,800	437,744	705,000	391,000	120,000	71,091	0
Emerald Ash Borer (EAB) Fund	0	0	45,000	0	0	0	0
Arts, Entertainment & Events Fund	34,000	33,965	31,000	32,000	33,000	34,000	35,000
Fleet Operations Fund	1,916,800	2,293,248	1,744,000	2,959,000	2,612,600	2,170,000	978,500
Technology Fund	200,000	221,800	231,800	231,800	236,800	241,800	241,800
State/Federal/County Funds/Grants/Private	878,000	1,204,600	405,900	334,100	334,100	0	0
Total Capital Funding	11,610,400	15,273,280	14,449,050	13,364,200	11,274,700	11,391,991	9,980,000

CAPITAL FUNDING BY REVENUE SOURCE	EST ACT	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
	2011-12	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Charges to Operations	2,116,800	2,515,048	1,975,800	3,190,800	2,849,400	2,411,800	1,220,300
Motor Fuel Tax Allotment	1,783,700	1,947,000	1,784,000	1,784,000	1,784,000	1,784,000	1,784,000
Taxes							
Food & Beverage Tax	34,000	33,965	31,000	32,000	33,000	34,000	35,000
Property Tax	2,450,000	2,500,000	2,625,000	2,700,000	2,800,000	2,900,000	3,000,000
Property Tax Increment	0	0	0	600,000	0	95,000	0
Sales Tax Home Rule	1,693,000	1,609,100	1,710,000	1,744,000	1,777,900	1,722,300	1,896,800
Water Sales	1,352,200	1,374,980	1,434,500	1,224,900	1,226,000	1,644,000	1,354,700
Other (including interest income)	222,900	254,234	162,300	73,000	26,500	69,000	25,000
Grants/State/Federal	878,000	1,204,600	405,900	334,100	334,100	731,891	664,200
Cash on Hand	1,079,800	3,834,353	4,320,550	1,681,400	443,800	0	0
Total Capital Funding	11,610,400	15,273,280	14,449,050	13,364,200	11,274,700	11,391,991	9,980,000

DEBT SUMMARY

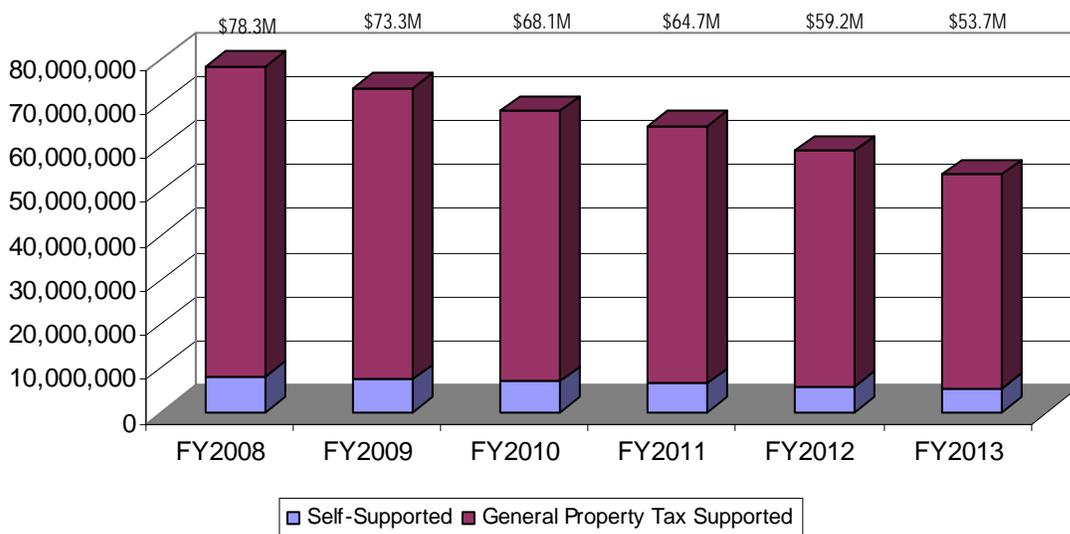
OVERVIEW AND DEBT FINANCING PRINCIPLES

The Village of Arlington Heights has historically taken a conservative approach to debt financing. The goal of the Village's debt policy is to maintain the ability to provide high quality essential village services in a cost-effective manner. Policy makers weigh this goal against maintaining the ability to borrow at the lowest possible rates. The Village has used the following guidelines before financing projects with long-term debt:

- Staff conservatively projects the revenue sources to pay off the debt.
- The financing of the improvement will not exceed its useful life.
- The benefits of the improvement must outweigh its costs, including the interest costs of financing.

Through the application of these guidelines, the Village Board tests any demand on debt financing. Furthermore, the Village uses debt only to provide financing for essential and necessary capital projects. The chart below shows a brief history of the Village's outstanding bond debt.

**VILLAGE OF ARLINGTON HEIGHTS
Outstanding Bond Debt (Principal Only)
Fiscal Years Ending 2008 through 2013**

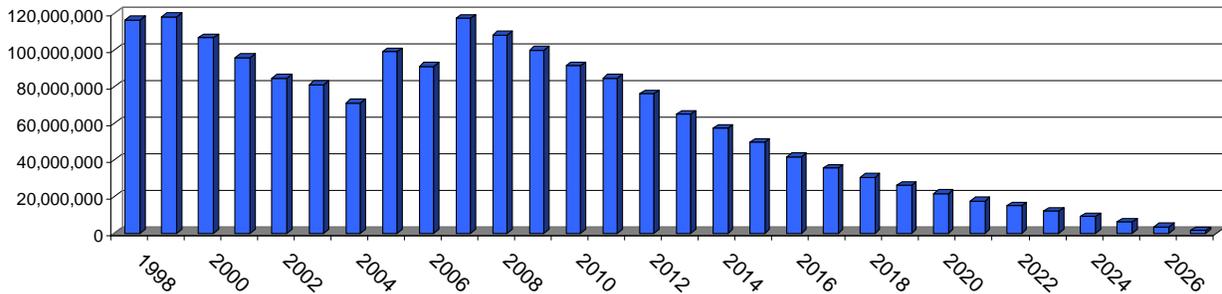


Note: In FY2007 the 2006 Capital Projects G. O. Bonds were issued for the construction of public buildings.

DEBT SUMMARY

The Village will be paying down its debt aggressively over the next few years as is show below:

Principal & Interest Outstanding
FY1998 through FY2027



LEGAL DEBT MARGIN

The Village is a home rule municipality.

Article VII, Section 6(k) of the 1970 Illinois Constitution governs computation of the legal debt margin.

“The General Assembly may limit by law the amount and require referendum approval of debt to be incurred by home rule municipalities, payable from ad valorem property tax receipts, only in excess of the following percentages of the assessed value of its taxable property..(2) if its population is more than 25,000 and less than 500,000 an aggregate of one percent: ...indebtedness which is outstanding on the effective day (July, 1971) of this constitution or which is thereafter approved by referendum...shall be included in the foregoing percentage amounts.”

To date the General Assembly has set no limits for home rule municipalities.

TYPES OF VILLAGE DEBT

The Village's general obligation bond rating is Aa1 from Moody's Investors Service. A general obligation bond has the full faith and credit of the Village pledged. The general obligation alternate revenue bonds, which are a pledge of a specific revenue source, (i.e. utility taxes, sales taxes, water revenues) and a tax levy, carry the same rating. However, all other types of debt instruments are of a lesser credit quality and therefore have higher relative interest rates. An approximate ranking is as follows:

- General Obligation/General Obligation Alternate Revenue
- Water and Sewer Revenue
- Installment Contract
- Special Service Area
- Special Assessment

DEBT SUMMARY

CONCLUSION

The Village issues new debt only after careful consideration of the benefits of the capital project being financed and a conservative analysis of the revenue sources required to pay off the debt. By following these practices and by monitoring the total debt burden, the Village has been able to maintain a high bond rating, which equates to lower interest costs. The Village's overall financial health is good, and by following sound financial and management policies, the Village's Board and staff will emphasize continued efforts toward maintaining and improving the Village's financial performance in the coming years.

The schedules on the following page provide summaries of outstanding bond issues and future debt service requirements.

VILLAGE OF ARLINGTON HEIGHTS

SUMMARY OF OUTSTANDING BOND ISSUES

AS OF APRIL 30, 2012

ISSUE	PURPOSE	AMOUNT ISSUED	MATURITY DATE	PRINCIPAL OUTSTANDING
2003A G. O. Refunding Bonds	Advance Ref of 1997A Capital Proj Bonds (TIF III & Fire Station)	2,175,000	12/1/2016	1,175,000
2003B G. O. Refunding Bonds	Advance Refunding of 1997B Senior Center Bonds	3,330,000	12/1/2016	1,580,000
2004 G. O. Public Building Bonds	Acquisition, construction and equipping of the new Public Works Building and the new Fire Station #1	20,000,000	12/1/2026	200,000
2005 G. O. TIF V Bonds	TIF District Improvement	2,235,000	12/1/2015	1,475,000
2006 G. O. Public Building Bonds	Construction and equipping of the new Village Hall	20,000,000	12/1/2019	15,800,000
2006A G. O. Refunding Bonds	Refunding of 1997C and 1998A Bonds	16,515,000	12/1/2018	3,450,000
2009A G. O. Refunding Bonds	Refunding of 2001 (Refunding of 1993 Flood Control V Bonds)	8,380,000	12/1/2014	6,585,000
2009B G. O. Street Resurfacing Bonds	2010 Street Resurfacing Program	2,050,000	12/1/2014	1,355,000
2010 G. O. Refunding Bonds	Refunding of 2002A NW Central Dispatch Bonds	2,855,000	12/1/2022	2,635,000
2011 G. O. Refunding Bonds	Partial Refunding of 2004 Public Building Bonds	9,925,000	12/1/2026	9,805,000
2012A G. O. Refunding Bonds	Partial Refunding of 2004 Public Building Bonds	9,670,000	12/1/2022	9,670,000
TOTAL ALL BONDS				<u>53,730,000</u>

ANNUAL DEBT SERVICE REQUIREMENTS

(PRINCIPAL AND INTEREST)

ISSUE	FUNDING SOURCE	2009 ACTUAL	2010 ACTUAL	2011 ACTUAL	2012 ACTUAL	2013 BUDGET
2001 Refunding of 1993 Flood Control V	Property Tax	1,322,325	1,187,962	0	0	0
2003B Refunding of 1997B Senior Center	Property Tax	375,606	377,356	378,806	378,850	387,794
2004 Public Buildings	Property Tax	1,039,975	1,036,975	1,033,725	797,350	108,000
2006 Public Buildings	Property Tax	1,684,000	1,648,000	1,712,000	1,672,000	2,032,000
2006A Refunding of 1997C & 1998A	Property Tax	3,154,600	3,115,800	2,994,400	2,883,600	1,728,000
2009A Refunding of 2001	Property Tax	0	0	851,714	1,350,900	1,292,400
2009B Street Resurfacing	Property Tax	0	0	374,500	418,325	440,725
2011 Partial Refunding of 2004 Public Bldg	Property Tax	0	0	0	231,771	424,500
2012A Partial Refunding of 2004 Public Bldg	Property Tax	0	0	0	0	271,167
SUBTOTAL - PROPERTY TAX		7,576,506	7,366,093	7,345,145	7,732,796	6,684,585
2003A Refunding of 1997A TIF III	TIF Property Tax Increments	257,162	256,612	260,913	259,163	261,731
2005 TIF V	TIF Property Tax Increments	201,918	262,793	276,523	294,593	351,838
SUBTOTAL - TIF FUNDING		459,080	519,405	537,435	553,755	613,569
2002A NWCDs Building	Northwest Central Dispatch Rent	285,883	291,008	230,751	0	0
2010 Refunding of 2002A NWCDs Building	Northwest Central Dispatch Rent	0	0	33,448	269,863	271,863
SUBTOTAL - OPERATING REVENUE		285,883	291,008	264,199	269,863	271,863
TOTAL		8,321,469	8,176,506	8,146,779	8,556,414	7,570,017

Community Profile

COMMUNITY PROFILE

GOVERNMENT

Incorporated January 18, 1887

The Village is a home-rule municipality governed by a nine-member Board consisting of eight Trustees and one Village President, commonly referred to as Mayor. The Board is elected at large for staggered four-year terms.

The Mayor, with approval of the Village Board, appoints the Village Manager.

The Village employs 417 full-time and 20 part-time employees in 14 operating departments: Village Manager's Office, Human Resources, Legal, Finance, IT, GIS, Police, Fire, Planning & Community Development, Building & Health Services, Engineering, Public Works, Water Utility Operations, and Municipal Fleet Services.

In addition, the Village has the following advisory boards and commissions that advise the Village Board on various issues and proposals under review. The Mayor, with the consent of the Board of Trustees, appoints members to the commissions.

Plan Commission
Zoning Board of Appeals
Board of Health
Board of Local Improvements
Board of Fire & Police Commissioners
Electrical Commission
Design Commission
Building Code Review Board
Environmental Commission
Housing Commission
The Arlington Economic Alliance
Senior Citizens Commission
Youth Commission
Commission for Citizens with Disabilities
Bicycle & Pedestrian Advisory Commission
Special Events Commission
Arts Commission

GOVERNMENT

(Continued)

The Village also operates a public access cable television channel and televises most Board meetings.

Village Website: www.vah.com

Additional Website: www.discoverarlington.com

Elections

Number of Registered Voters	52,168
Number of Ballots Cast in Last Municipal Election 4-5-11	6,657

Village Bond Rating

Aa1

Fire ISO Rating

2 (1/1/2012)

Various Taxes

Sales Tax	9.25%
Prepared Food & Beverage Tax	1.25%
Telecommunications Tax	6.00%
Hotel Tax	5.00%
Utility Tax (gas/electric)	5.00%

DEMOGRAPHICS

The Village is comprised of approximately 16.6 square miles.

The Village is located in Cook County, approximately 25 miles northwest of the Chicago loop business district. The Village is home to beautiful Arlington Park Race Track, the world-famous thoroughbred racing destination. Adjacent to the Village to the west are the communities of Palatine and Rolling Meadows; to the east are Wheeling, Prospect Heights, and Mount Prospect; to the north is Buffalo Grove; to the south is Elk Grove Village. O'Hare International Airport is approximately 15 miles southeast of the Village, a 20-minute drive by expressway.

COMMUNITY PROFILE

(Continued)

DEMOGRAPHICS (Continued)

Weather Conditions

Average Winter	27° F
Average Summer	72° F
Average Annual Rainfall	34 Inches
Average Annual Snowfall	34 Inches

Population

1970	64,884
1980	66,116
1990	75,460
2005 (f)	76,943
2010 (a)	75,101

Ethnic Makeup (a)

White	66,266	88.2%
African American	984	1.3%
American Indian/Alaskan Native	95	0.1%
Asian/Pacific Islander	5,357	7.1%
Some Other Race	1,289	1.7%
Two or More Races	1,110	1.5%
Hispanic or Latino	4,306	5.7%

NOTE: Hispanic/Latino ethnicity overlaps categories therefore figures do not add up to 100%

Other Household and Resident Data (a)

Total Households	32,795
Median Household Income	\$75,257
Per Capita Income	\$40,277
Median Age	42.7
% of population over 65	17%
Education (population 25 years & older)	
High school graduate or higher	94.5%
Bachelor's degree or higher	50.7%
Unemployment Percentage (06/2011) (b)	7.8%

Home Value (a)

Median Home Value	\$365,000
Median Gross Rent	\$1,125
\$0 to \$99,999	999
\$100,000 to \$149,999	2,204
\$150,000 to \$199,999	1,753
\$200,000 to \$299,999	5,481
\$300,000 to \$499,000	10,544
\$500,000 to \$999,999	3,268
\$1,000,000 or more	69

DEMOGRAPHICS (Continued)

Land Use (c)

	Acres	%
Residential	5,279	50.4
Commercial	505	4.9
Office Only	225	2.2
R&D, Manufacturing, Warehousing	590	5.7
Institutional	285	2.7
Mixed Use	398	3.8
Parks/Schools/Government	1,082	10.3
Streets	2,000	19.0
Open	100	1.0
Total	<u>10,464</u>	<u>100.0</u>

Property Value (d)

Estimated Total Property Value (2009)	\$11,098,877,978
Equalized Assessed Valuation (EAV) (2009)	\$3,699,256,030

EAV Breakdown by Type of Property

	2009 EAV	% of Total
Residential	\$2,562,767,692	69.3%
Commercial	855,590,509	23.1%
Industrial	280,348,725	7.6%
Railroad	549,104	< 0%
	<u>\$3,699,256,030</u>	<u>100.0%</u>

Other (d)

Miles of Streets	230
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Water Information:

Municipal water system main water supply	
Lake Michigan water through the Northwest Water Commission (All wells are secondary and backup sources)	
Miles of Water Mains	253
Number of Water Customers	20,907
Capacity of Waterworks	36,000,000 gal/per day
Number of Storage Tanks	10
Storage Capacity	31,000,000 gal.

COMMUNITY PROFILE

(Continued)

DEMOGRAPHICS (Continued)

Sewer Information:	
Miles of Storm Sewers	163
Miles of Sanitary & Combined Sewers	227
Number of Retention/Detention Basins	52
Sewage Treatment – Metropolitan Water Reclamation District	
Number of Fire Stations	4

School Districts 15, 21, 23, 25, 59 and 214 serve the students of the Village of Arlington Heights and neighboring communities.

Library

Number of Sites	1 (plus Bookmobile)
Number of Volumes	398,982
Number of Registered Borrowers	53,360
FY2010-2011 Total Circulation	2,644,233

BUSINESS

The Village has 1,721 businesses paying sales taxes.

2010 Kind of Business Report (e)

Sales Category	Sales Volume	%
General Merchandise	\$ 643,298	6.4%
Food	1,709,637	16.9%
Restaurant Dining	1,440,329	14.2%
Apparel	386,082	3.8%
Furniture, Household	801,959	7.9%
Lumber/Building/Hardware	485,179	4.8%
Automotive/Filling Stations	1,923,113	19.0%
Drugs & Misc. Retail	1,331,531	13.2%
Agriculture & All Others	1,158,233	11.5%
Manufacturers	235,072	2.3%
Total	\$ 10,114,433	100.0%

BUSINESS (Continued)

Major Employers (500 Employees or more)

Arlington Park Racecourse (seasonal)	4,500
Northwest Community Healthcare	4,000
Arlington Heights High School Dist. 214	1,750
Nokia Siemens Networks	1,267
Lutheran Home	700
Alexian Brothers Health System	600
Paddock Publications	500

AWARDS & RECOGNITIONS

GFOA Certificate of Achievement or Excellence in Financial Reporting.....Annually Since 1988

GFOA Distinguished Budget Presentation AwardAnnually Since 2005

Certified Tree City U.S.A.Annually Since 1985

Daniel Burnham Award for Excellence In Planning for Timber Court Condominium Project (affordable housing) 2008

President's Arts Friendly Community Award 2008

Association of Illinois Senior Centers' Awards for Senior Center Program of the Year and Senior Center Director of the Year..... 2008

CALEA Accreditation of Police Dept..... 2008

Chaddick Municipal Development Process Award 2010

Designated as a Member of the Safe Communities America Program..... 2010-2015

Notes:

- (a) 2010 Census
- (b) Illinois Department of Employment Security
- (c) Village of Arlington Heights Comprehensive Plan
- (d) Village of Arlington Heights & Cook County records
- (e) Illinois Department of Revenue
- (f) Special Census