

**VILLAGE OF
ARLINGTON HEIGHTS, ILLINOIS**

ADOPTED
BUDGET-IN-BRIEF
FISCAL YEAR 2013-14
BEGINNING MAY 1, 2013



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

VILLAGE OF ARLINGTON HEIGHTS

OPERATING BUDGET FISCAL YEAR 2013-14 BEGINNING MAY 1, 2013

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
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Michael Sidor, Trustee

VILLAGE MANAGER

William C. Dixon

FINANCE DIRECTOR/TREASURER

Thomas F. Kuehne

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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

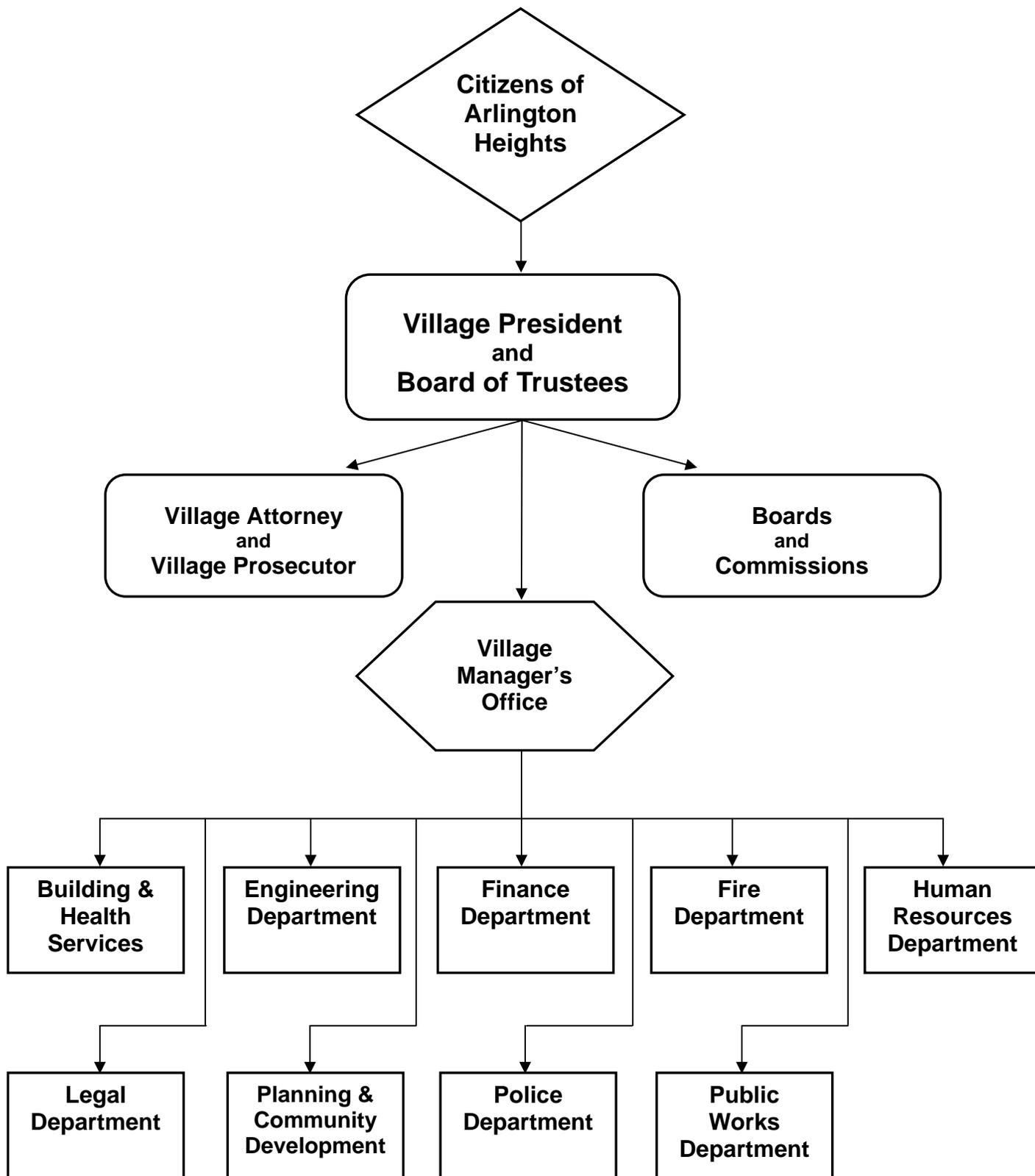
Director of Building & Health Services	James McCalister
Public Works Director	Scott Shirley

Budget Preparation

Finance Director/Treasurer	Thomas F. Kuehne
Assistant Finance Director	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
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April 1, 2013

Dear President Mulder and Trustees:

I am hereby transmitting the Adopted Budget for the fiscal year beginning May 1, 2013 and ending April 30, 2014 (FY2014).

The Adopted FY2014 Budget assumes slow economic growth for the foreseeable future, and we continue to be vigilant as our local economy is susceptible to the affects of international, national, and state decisions. There are no new staff positions, which means that the 10% reduction in staffing levels implemented since the start of the recession in FY2009 will remain in place. Through this budget the Village seeks to maintain existing services and service levels. When providing these services Village staff will continue to strive to provide good customer service by communicating effectively, active listening, and prompt follow-up. Fortunately, there have been some improvements in our operating revenues over the past year. These results, coupled with the aggressive budget actions that have been taken over the last few years have allowed the Village to maintain its solid financial position.

During the economic downturn the Village continued to expend monies on capital improvements, including street rehabilitation and resurfacing, water and sewer main replacements, as well as maintaining our vehicle and equipment replacement schedule. By doing this we have avoided creating a backlog of capital expenditures which could have created fiscal stress in the future. The Village's capital projects continue to be a key priority for the Village, with capital and related debt service expenses representing nearly 20% of total FY2014 budget expenses.

A capital project challenge that will continue to require significant funding over the next several years is the cost associated with the arrival of the Emerald Ash Borer (EAB) beetle. 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 estimated at \$11.5 million as the EAB infestation works its way through the community. In FY2012 the Village established an EAB Fund to account for the parkway Ash tree removal and replacement costs, as well as funding for the one-time "People's Choice" treatment option. Initial funding for the EAB Fund has come through FY2012 and FY2013 transfers from the General Fund of \$2 million and \$1.7 million respectively. A bond issue is planned to be sold in 2014 which will cover a majority of the projected \$11.5 million cost of the EAB program.

The Village develops its operating and capital 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 an 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. 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 financial 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 FY2014, not including the Arlington Heights Memorial Library, comes to \$145,374,818, or an increase of only 1.3% over the prior fiscal year. This increase is primarily attributable to three expenditure areas:

- The FY2014 EAB Fund expenditures mentioned above are projected to increase by \$1.7 million over the prior year, as the EAB beetle infestation of the Village's parkway Ash trees continues to advance throughout the Village.
- The FY2014 Budget for vehicle replacements is about \$1.4 million higher than the prior year due to the scheduled replacement of a large Fire Department vehicle. The Fire Department's 1993 Pierce Aerial Tower is scheduled to be replaced at a cost of \$1,350,000. In addition, a 2006 Ford Ambulance which was scheduled to be replaced in FY2015 is in need of replacement in FY2014 at a cost of \$225,000. The Ambulance is currently experiencing significant downtimes requiring it to be taken out of service for maintenance.
- These increases are offset somewhat by FY2014 General Fund expenditures that are budgeted to come in \$1.2 million lower than the prior year. During FY2013 the Village transferred \$1.7 million to the EAB Fund to support that Fund's ongoing efforts to combat the EAB beetle infestation. In FY2013 the Village also transferred \$400,000 back to the Fleet Operations Fund, to reimburse a transfer that had been made from that Fund to the

General Fund for cash flow purposes during the recession. These transfers will not reoccur in FY2014.

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 improved stock market, has started to moderate 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 liabilities, extending it from 100% funding by 2033 to 90% funding by 2040. Last fiscal year this 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 internal change to the actuary's interest rate assumption 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 approved a lower phase-in rate as a way for communities to hold the line on property tax increases for IMRF purposes during the early years of the recession. The difference between the standard rate and the lower phase-in rate created a net pension obligation (NPO). However, during FY2013 the Village used existing General Fund reserves to pay down the NPO liability and has returned to using the standard IMRF contribution rate. The Village's IMRF employer rate increased by 10% for FY2014, but future year increases are expected to moderate due to the Village's pay off of the NPO and as long as IMRF's investment returns continue to be positive. The IMRF's actuarial interest rate assumption is 7.5% and during calendar year 2013 the IMRF pension system earned an annual return rate of 13.75%.

Personnel Changes

The Village has continued to look for ways to work as efficiently as possible. As a result of the recent economic downturn the Village reduced staffing levels while maintaining most of the Village's programs and service levels. This was accomplished by consolidating some positions as well as through efficiency improvements utilizing technology. In other cases, services were reduced or contracted out on an as-needed basis. Full-time equivalent (FTE) personnel changes from FY2009 compared to FY2014 resulted in a net decrease of 45 positions or about a 10% decrease. The Adopted FY2014 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.

During a FY2013 review of all Village part-time positions, the part-time Meter Reader position paid for in the Water & Sewer Fund was moved from the Temporary Help account to the Salaries (part-time) account, resulting in the recognition of an additional .5 full-time equivalent (FTE) position. In addition, the actual hours worked by the Senior Center Receptionist are now being budgeted resulting in a reduction of .25 FTE. These adjustments netted out to a .25 increase in FTE in FY2013.

In recent years the Village has been fortunate that our blended health insurance costs have only increased by about 2%. To be conservative the Village's initial long-term projections assume an increase in health insurance costs of 10% per year. Based on recent discussions with the Village's health insurance carrier, FY2014 health insurance costs are budgeted to increase by about 9% due to higher claims experience this past year, and as a result of the new required fees associated with the federal Affordable Care Act.

The balance of this budget message identifies the process that has been followed to prepare this financial plan for FY2014, 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 largest 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, Assistant 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 FY2014 budget process for these funds are as follows:

	<u>General Fund</u>	<u>Water & Sewer Fund</u>
Budget Ceiling	\$67,650,500	\$15,786,000
Adopted Budget	<u>67,571,100</u>	<u>15,786,000</u>
Over (Under) Ceiling	\$ (79,400)	\$ 0

During the department reviews, the budget team and department directors worked to prepare a budget at or below the budget ceilings. The FY2014 General Fund and Water & Sewer Fund budgets fall within the budget ceilings established by the Village Board in November 2012.

General Fund

In FY2014 the General Fund budget decreases by 1.8% compared to the prior year. As outlined earlier in this Budget Message, this is due to the FY2013 transfers to the EAB and Fleet Operations Funds that will not reoccur in FY2014. 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 71% of the total General Fund revenues:

- Property Tax	31% of revenues
- Sales Tax (including Home Rule)	24%
- Income Tax	10%
- 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 prior 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. During the recent recession the Village drew down its reserves in 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 some 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 has continued through FY2013, and is expected to continue through FY2014.

The FY2014 General Fund budget includes the second year of a limited in-house paving program with a total budgeted cost of \$390,000. This represents an increase of \$140,000 over last year's budget for this program due to a reduction in the salt material budget being allocated to this program. The Village expects to have a significant stockpile of salt at the end of this year as a result of below average snowfall. The in-house paving 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 has found the roadway edge grinding and paving to be well received by residents. Due to ongoing economic uncertainties, a rental asphalt grinder and paver box are being used in case this new program has to be scaled back or eliminated at some point in the future. The expenditure for this program is shown in three separate Public Works Department line items: Street & Sidewalk Supplies, Other Services, and Rental Equipment.

The FY2014 budget reflects the second year of a three-year funding plan with the Woodfield Chicago Northwest Convention Bureau. The Village has had a long-standing partnership with the Bureau, but the Village's funding level has been uneven over the last few years. As part of the Village's FY2010 General Fund expenditure cuts, funding to the Bureau was decreased from 10% to 6% of Village hotel receipts. As the economy improved last year the Village and Convention Bureau established a funding plan that increased the Village's contribution level to 7% of hotel receipts in FY2013 and 8% of hotel receipts in FY2014 and FY2015.

As the Village has increased the types of services and charges that can be paid over the internet, total credit card fees paid by the Village have increased proportionally. The average credit card fee has remained around 1-2% per transaction, but the number of transactions has increased. Total credit card fees paid by the Village in FY2006 amounted to around \$19,000 and in FY2012 that amount grew to about \$40,000. The option to pay water and sewer charges online has been in existence for a number of years. Two years ago the Village added parking tickets to the online payment system, and last year vehicle stickers were added to the online payment list. Accepting credit card payments online and in-person is a convenience the Village will continue to offer and expand as warranted.

In many departments the Photocopying line item has decreased over the last couple of years. As leases on older copiers expire the lease or 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 Issues:

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 December 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 \$6.5 million per year in income tax receipts which represents about 10% of total General Fund revenues.

Proposed State Gambling Expansion - Slots at Arlington Park Racetrack – Over the last few years the State Legislature has considered various proposals to expand gambling in Illinois. Most of these proposals have included allowing slots at horse racing tracks throughout Illinois which would include Arlington Park Racetrack. It has been estimated that the Village could potentially receive about \$3 million per year in fees if slots are allowed at the Racetrack. If such a bill were to be passed, it has been staff's recommendation that any potential local gambling fee revenue not be used to fund any ongoing operating expenses. If the State Legislature were to approve slots at racetracks, it is recommended that any potential new revenues be used primarily to pay down the Village's unfunded pension liabilities. This would help stabilize the Village's annual required contribution to our pension funds, lessening the upward pressure on the Village's portion of property taxes directed toward our pension funds.

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 include a \$400,000 Watermain Replacement program and \$300,000 Sewer Rehabilitation program, as well as an ongoing priority based plan to repaint the inside and outside of the water tanks. The FY2014 budget also includes \$275,000 for the rehabilitation of Well #12, which is a primary back-up well to be used in an emergency should our water supply from the Northwest Water Commission be interrupted.

The budget 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 rebates 50% of the cost of installing a sewer back-up system up to a maximum rebate amount of \$7,500 per qualifying single-family residence. An annual budget of \$50,000 is included in the Water & Sewer Fund for the program, and additional funding is available in the Village's Flood V Fund. 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. From the inception of the program in FY2007 through January 2013, there have been 97 rebates paid to single-family homeowners for a total cost to date of \$429,496.

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 2012, the Village Board reviewed all of the proposed capital projects and approved the Capital Improvement Program for FY2014 through FY2018.

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 Adopted FY2014 Budget. The "CIP/Debt Service" section of the budget shows a summary of the entire five-year capital spending and funding plan. The key FY2014 capital projects, outside of the water and sewer 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 \$600,000 for Council Trail sewer and street improvements although actual expenditures will likely 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 few years' reductions in some non-essential 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 FY2014 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. The FY2014 street program includes the following expenditures:

Street Resurfacing Program (\$3,400,000 – Capital Projects Fund) – This is an ongoing program limited to resurfacing existing deteriorated street pavement and curbs.

Street Rehabilitation Program (\$2,045,000 – 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 FY2014 Capital Projects Fund budget are:

Traffic Signal Improvement at Northwest Highway/Wilke (\$500,000) – 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 (\$2,300,000) – This represents the final 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.

Fire Training Tower Renovation (\$150,000) – This project represents the cost to rehabilitate the Fire Department's Training Tower. Over the years, the heat resistant lining of the burn room has failed and there is significant structural damage making the facility unsafe. A burn room provides the Fire Department the ability to burn, generate real smoke, manage heat and create realistic fire and rescue training scenarios.

Flood Control V Fund – The FY2014 Budget includes the following significant flood control projects:

Grove Street Sanitary Sewer (\$50,000) – 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 funds in this account would also be 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. 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 (\$560,000) – On July 23, 2011 the Village experienced significant flooding in numerous areas of the Village due to a severe storm that dumped between 5.5 and 7 inches of rain over a four hour period. This storm, which affected communities throughout the northwest suburbs, followed two weeks of substantial rain events which had already saturated the ground. The most significant effect of this extraordinary storm was sewer back-up and street flooding within the combined sewer tributary area. An analysis of this issue requires a detailed modeling of the system. This process incorporates the complexities of the Village's existing sewer systems, along with topographical information to help identify areas of the Village that are susceptible to flooding during excessive rain events.

The first step in the detailed modeling process is flow monitoring of the system, which was performed in the spring of 2012. Unfortunately, due to the unforeseen drought the flow monitoring did not capture a significant rain event. However, the monitoring did capture limited rainfall events as well as our dry weather flow rate. Staff received the final flow monitoring report in December 2012. A request for proposal was subsequently sent out to prepare a model of the combined sewer tributary area, and four proposals are currently being reviewed by staff. It is anticipated that a recommendation on a proposal to complete this study will be submitted for the Village Board's consideration in April 2013. After a model of the combined sewer tributary area is completed proposed improvements can be designed and priced. 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.

A second issue that came up as a result of the extraordinary rain event consisted of storm water capacity and storage issues in separate sewered areas, at locations north of Palatine Road and in areas generally south of Central Road. Requests for proposals to review these issues were received and approved by the Village Board in November 2012. Seven specific areas within the separate sewered areas will be evaluated. A draft of this separate report is expected to be received in June 2013.

Other Funds

Public Building Fund – FY2014 expenditures in this fund include \$115,000 for the replacement of the Village-wide phone switch which is no longer supported by the manufacturer. This is a portion of the phone system replacement project that will replace the phone switch and move the system from the Police Building to the basement of the Village Hall.

As part of the FY2014-2018 Capital Improvement Program the Village Board approved a long-term plan of action to construct a new Police facility. The existing 38,000 square foot Police facility constructed in 1978 is deteriorating and no longer adequately serves the operational needs of the Department and the community. The building is in need of significant mechanical, electrical, and plumbing (MEP) repairs and replacement, just to maintain it as a serviceable building. Staff projected that between FY2014 and FY2017 the MEP work needed to merely maintain the existing Police facility would cost approximately \$8.78 million. This level of expenditure would also require a bond issue to complete. MEP projects for the existing Police facility have been postponed for a number of years, first pending the results of the Police facility needs assessment study and then due to the recent recession. If the Village had chosen a maintenance-only course of action, even after the needed MEP work was completed, the Police building would remain structurally obsolete, have the same footprint and layout, and would still not meet the current operational needs of the Police Department.

In 2008-09 the Village hired FGM Architects/McClaren, Wilson & Laurie to conduct a space needs assessment of the Police Department and an evaluation of the Police facility. The results of this study showed that the current Police facility was outdated and inadequate in size. The study recommended that a new 75,000 square foot facility be built, which is comparable to other area Police facilities that have recently been constructed. The estimated cost to construct a new Police facility is approximately \$28 million. Additional costs of \$10-12 million could also be expected which would include design, engineering, potential land acquisition, demolition, temporary relocation, IT and security systems, and other contingent costs.

From a cost perspective and under ideal circumstances it would have been favorable for the Village to have taken advantage of current low construction and financing costs to build a new Police facility in the near term. However, the Village did not want to increase its debt level during the recession. From a positive perspective, by holding off on the decision to move forward on constructing a new Police facility over the last few years, the Village is now in a good position to utilize an approaching window of opportunity to finance most, if not all, of the costs of a new Police facility within our existing debt level.

In levy years 2014, 2015, 2018 and 2019 the Village's debt service level is scheduled to decrease as existing bond issues mature. The Village's current annual debt service level is about \$6.9 million, and the Village is already poised to reinvest the scheduled annual \$1.5 million debt service decrease in levy year 2014 in a new bond issue. This new bond will cover the cost to remove and replace the Village's parkway Ash trees due to the imminent infestation of the Emerald Ash Borer (EAB). At this point it appears that the other scheduled debt service decreases in levy years 2015, 2018 and 2019, amounting to \$2.6 million per year can be reinvested to cover most if not all of the costs associated with a new Police facility while still maintaining our current debt service level.

Given the projected costs and outcomes outlined above, the Village Board approved the following tentative time line showing the steps that would need to be taken:

FY2014 – Village Board discussion and decision on the new Police facility location, selecting one of the following options:

- Reconstruct on-site
- Total Rehabilitation/Building Addition on-site
- Reconstruct off-site

FY2015 – Develop RFP/Begin Architectural Design

FY2016 – Finish Architectural Design/Issue first Bond (second bond issue anticipated in fall of 2019)

FY2017 – Begin Construction

FY2019 – Occupancy of new Police facility

This is a tentative timeline that is subject to changing conditions, but it does provide a basic roadmap for financial planning purposes.

Fire Academy Fund – As of the end of FY2013 the Village plans to close its Fire Training Academy. 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. As of April 30, 2013, a residual equity transfer of about \$10,000 will be made to the Capital Projects Fund representing any remaining monies left in the Fire Training Academy Fund upon its closure.

Acknowledgements

The preparation of this year's budget posed continuing challenges for the Village Board and staff. The 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, Mary Ellen Juarez, 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	2010-11 Actual	2011-12 Actual	2012-13 Est Act	2012-13 Budget	2013-14 Budget	\$ Change	% Change
101	GENERAL	62,403,634	66,163,718	67,746,580	66,510,900	67,625,400	1,114,500	1.7%
211	MOTOR FUEL TAX	2,466,185	2,195,727	2,145,000	2,118,200	2,144,100	25,900	1.2%
215	CDBG	352,861	362,244	295,630	295,630	360,230	64,600	21.9%
217	1st TIME HOME BUYERS GRANT	39	0	0	0	0	0	N/A
225	FIRE ACADEMY	75,748	20,737	28,300	15,000	0	(15,000)	(100.0%)
227	FOREIGN FIRE INSURANCE TAX	120,780	125,198	132,700	125,600	130,500	4,900	3.9%
231	CRIMINAL INVESTIGATIONS	226,845	188,246	758,300	769,000	132,500	(636,500)	(82.8%)
235	MUNICIPAL PARKING	1,048,088	1,056,924	1,053,700	1,063,000	1,077,200	14,200	1.3%
251	TIF I SOUTH	656,743	3,275	2,000	0	1,800	1,800	N/A
255	TIF II NORTH	7,379	8,325	8,500	0	8,500	8,500	N/A
261	TIF III	288,036	271,005	276,500	271,900	276,500	4,600	1.7%
263	TIF IV	282,120	692,480	521,000	652,000	534,000	(118,000)	(18.1%)
264	TIF V	623,490	507,045	326,300	590,700	326,300	(264,400)	(44.8%)
301	DEBT SERVICE	10,990,252	28,535,513	7,514,630	7,775,644	7,759,613	(16,031)	(0.2%)
401	CAPITAL PROJECTS	4,590,577	4,533,911	4,884,556	4,930,698	5,671,100	740,402	15.0%
426	FLOOD CONTROL V	24,735	11,920	58,000	10,000	5,000	(5,000)	(50.0%)
431	PUBLIC BUILDING	18,381	166,195	6,000	4,000	8,500	4,500	112.5%
435	EMERALD ASH BORER (EAB)	0	2,000,000	1,700,000	1,700,000	0	(1,700,000)	(100.0%)
505	WATER & SEWER	12,790,277	13,608,580	15,107,900	14,996,600	15,409,100	412,500	2.8%
511	SOLID WASTE DISPOSAL	1,530,226	1,859,403	1,520,700	1,510,000	1,545,700	35,700	2.4%
515	ARTS, ENTERTAINMENT & EVENTS	464,481	885,811	521,200	486,500	622,000	135,500	27.9%
605	HEALTH INSURANCE	8,066,849	8,233,395	8,583,600	8,691,300	9,222,600	531,300	6.1%
606	RETIREE HEALTH INSURANCE	1,886,315	2,713,172	2,684,100	2,416,100	2,724,200	308,100	12.8%
611	GENERAL LIABILITY INSURANCE	654,630	982,549	668,800	682,800	688,600	5,800	0.8%
615	WORKERS' COMPENSATION	1,796,123	1,962,702	1,811,500	1,813,400	1,848,400	35,000	1.9%
621	FLEET OPERATIONS	2,911,765	2,930,854	3,569,600	3,452,600	3,193,400	(259,200)	(7.5%)
625	TECHNOLOGY	1,533,110	1,403,288	1,454,600	1,454,600	1,522,400	67,800	4.7%
705	POLICE PENSION	11,068,693	7,684,256	9,488,300	9,238,000	9,310,880	72,880	0.8%
711	FIRE PENSION	11,684,668	7,868,358	9,416,600	9,413,000	9,556,000	143,000	1.5%
TOTAL REVENUES		138,563,030	156,974,831	142,284,596	140,987,172	141,704,523	717,351	0.5%

FUND	EXPENDITURES	2010-11 Actual	2011-12 Actual	2012-13 Est Act	2012-13 Budget	2013-14 Budget	\$ Change	% Change
101	GENERAL	59,612,108	63,531,600	67,347,900	68,782,038	67,571,100	(1,210,938)	(1.8%)
211	MOTOR FUEL TAX	2,188,439	2,026,504	2,274,300	2,791,269	2,243,800	(547,469)	(19.6%)
215	CDBG	352,861	362,244	295,630	295,630	360,230	64,600	21.9%
217	1st TIME HOME BUYERS GRANT	10,186	0	0	0	0	0	N/A
225	FIRE ACADEMY	92,602	97,031	195,156	166,695	0	(166,695)	(100.0%)
227	FOREIGN FIRE INSURANCE TAX	115,888	119,093	217,000	234,814	145,000	(89,814)	(38.2%)
231	CRIMINAL INVESTIGATIONS	203,218	112,054	758,300	779,125	132,500	(646,625)	(83.0%)
235	MUNICIPAL PARKING	1,146,463	1,195,152	1,210,500	1,245,351	1,255,600	10,249	0.8%
251	TIF I SOUTH	41,101	354,132	21,500	589,642	8,700	(580,942)	(98.5%)
255	TIF II NORTH	944,920	8,325	8,500	0	8,500	8,500	N/A
261	TIF III	283,801	274,200	286,750	323,002	323,400	398	0.1%
263	TIF IV	296,389	59,666	65,000	616,050	1,210,000	593,950	96.4%
264	TIF V	340,261	351,841	414,650	973,102	1,011,788	38,686	4.0%
301	DEBT SERVICE	11,035,788	28,517,946	7,574,408	7,574,500	7,740,500	166,000	2.2%
401	CAPITAL PROJECTS	4,352,672	4,404,935	6,887,171	8,075,947	7,807,100	(268,847)	(3.3%)
426	FLOOD CONTROL V	31,908	356,599	800,000	880,000	890,000	10,000	1.1%
431	PUBLIC BUILDING	17,084	135,611	94,000	743,056	270,000	(473,056)	(63.7%)
435	EMERALD ASH BORER (EAB)	0	7,535	974,900	969,700	2,646,100	1,676,400	172.9%
505	WATER & SEWER	13,652,723	13,961,819	15,661,500	15,930,060	15,786,000	(144,060)	(0.9%)
511	SOLID WASTE DISPOSAL	1,492,582	1,529,106	1,303,100	1,417,400	1,301,700	(115,700)	(8.2%)
515	ARTS, ENTERTAINMENT & EVENTS	456,969	756,284	535,100	518,955	612,300	93,345	18.0%
605	HEALTH INSURANCE	6,979,729	8,473,076	8,418,500	9,546,600	10,850,500	1,303,900	13.7%
606	RETIREE HEALTH INSURANCE	1,886,315	2,713,172	2,684,100	2,416,100	2,724,200	308,100	12.8%
611	GENERAL LIABILITY INSURANCE	657,504	662,549	608,000	920,200	833,000	(87,200)	(9.5%)
615	WORKERS' COMPENSATION	1,593,515	1,176,771	1,365,600	1,664,200	1,680,800	16,600	1.0%
621	FLEET OPERATIONS	2,661,691	3,458,027	3,887,600	4,314,448	5,701,200	1,386,752	32.1%
625	TECHNOLOGY	1,383,672	1,304,773	1,404,600	1,461,663	1,522,400	60,737	4.2%
705	POLICE PENSION	4,065,909	4,452,747	4,640,000	4,772,200	5,037,000	264,800	5.5%
711	FIRE PENSION	4,640,374	5,088,133	5,315,300	5,456,500	5,701,400	244,900	4.5%
TOTAL EXPENDITURES		120,536,672	145,490,925	135,249,065	143,458,247	145,374,818	1,916,571	1.3%

FUND BALANCE SUMMARY FY2014

Fund	Fund Name	5/01/13 Projected Beginning Fund Balance (Deficit)	FY2014 Revenues & Transfers In	FY2014 Expenditures & Transfers Out	FY2014 Revenues Over (Under) Expenditures	4/30/14 Estimated Ending Fund Balance (Deficit)
101	General	\$23,442,287	\$67,625,400	\$67,571,100	\$54,300	\$23,496,587
211	Motor Fuel Tax	1,108,024	2,144,100	2,243,800	(99,700)	1,008,324
215	CDBG	0	360,230	360,230	0	0
227	Foreign Fire Insurance Tax	250,749	130,500	145,000	(14,500)	236,249
231	Criminal Investigations	158,043	132,500	132,500	0	158,043
235	Municipal Parking	4,305,203	1,077,200	1,255,600	(178,400)	4,126,803
251	TIF I South	245,285	1,800	8,700	(6,900)	238,385
255	TIF II North	0	8,500	8,500	0	0
261	TIF III	1,049,319	276,500	323,400	(46,900)	1,002,419
263	TIF IV	1,093,102	534,000	1,210,000	(676,000)	417,102
264	TIF V	1,869,052	326,300	1,011,788	(685,488)	1,183,564
301	Debt Service	1,702,096	7,759,613	7,740,500	19,113	1,721,209
401	Capital Projects	4,526,358	5,671,100	7,807,100	(2,136,000)	2,390,358
426	Flood Control V	1,414,578	5,000	890,000	(885,000)	529,578
431	Public Building	1,649,477	8,500	270,000	(261,500)	1,387,977
435	Emerald Ash Borer (EAB) Fund	2,717,565	0	2,646,100	(2,646,100)	71,465
505	Water & Sewer	5,038,081	15,409,100	15,786,000	(376,900)	4,661,181
511	Solid Waste Disposal	2,384,837	1,545,700	1,301,700	244,000	2,628,837
515	Arts, Entertainment & Events	262,349	622,000	612,300	9,700	272,049
605	Health Insurance	2,964,662	9,222,600	10,850,500	(1,627,900)	1,336,762
606	Retiree Health Insurance	0	2,724,200	2,724,200	0	0
611	General Liability Insurance	4,068,580	688,600	833,000	(144,400)	3,924,180
615	Workers' Compensation Insurance	5,406,457	1,848,400	1,680,800	167,600	5,574,057
621	Fleet Operations	5,106,195	3,193,400	5,701,200	(2,507,800)	2,598,395
625	Technology	1,465,036	1,522,400	1,522,400	0	1,465,036
705	Police Pension	86,416,959	9,310,880	5,037,000	4,273,880	90,690,839
711	Fire Pension	72,830,759	9,556,000	5,701,400	3,854,600	76,685,359
TOTAL ALL VILLAGE FUNDS		\$231,475,053	\$141,704,523	\$145,374,818	(\$3,670,295)	\$227,804,758

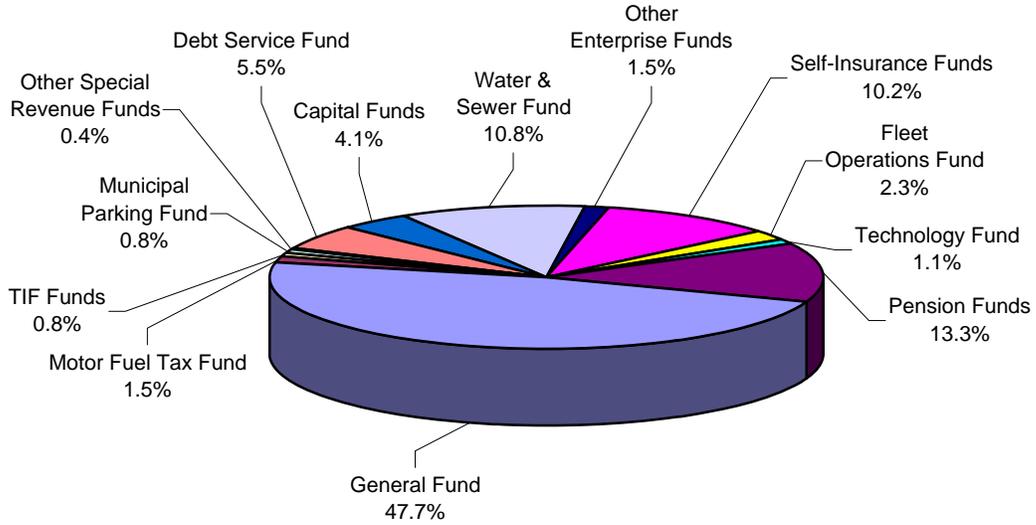
- The General Fund shows a FY2014 budget surplus for operations due to the reduction in staffing levels in FY2009 remaining in place and slight increases in operating revenue. The current financial condition of the fund is healthy as it continues to maintain a fund balance over 25% of annual expenditures.
- The Motor Fuel Tax Fund shows a planned operating deficit to complete various road improvements throughout the Village.
- 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 FY2014 is due primarily to building improvement capital expenditures.
- The TIF I District ended in 2006. Current litigation and possible refunds create the potential for FY2014 activity in the TIF I South Fund. The TIF II District ended in FY2009. Possible refunds create the potential for FY2014 activity in the TIF II North Fund.
- TIF III, TIF IV and TIF V Funds reflect a planned drawdown of reserves.

FUND BALANCE SUMMARY FY2014

8. 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).
9. The Capital Projects Fund shows a deficit in operations primarily as a result of street construction project costs outpacing revenues dedicated to this fund.
10. 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.
11. 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 toward the replacement of the Village-wide phone switch and the long-term plan to construct a new Police Facility .
12. 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 2014. The Village has 13,000 Ash trees.
13. 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 two years will also improve financial operating performance. Historically, low water consumption due to wet seasons has reduced revenue.
14. 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.
15. 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.
16. 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.
17. 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.
18. 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.
19. The Workers' Compensation Insurance Fund provides for workers' compensation claims as the Village is self-insured.
20. 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. The deficit in operations in FY2014 is due primarily to the replacement of two large Fire Department vehicles.
21. 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.
22. 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 71% and 63% respectively. Per current State Statute, 90% funding must be reached by 2040.

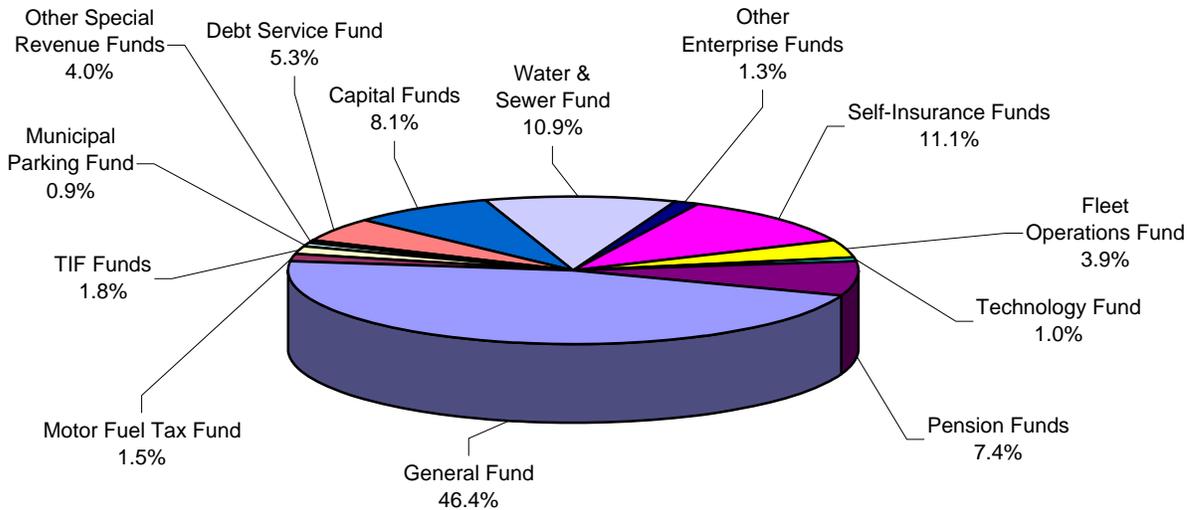
ALL FUNDS REVENUES

FY2013-2014 Budget



ALL FUNDS EXPENDITURES

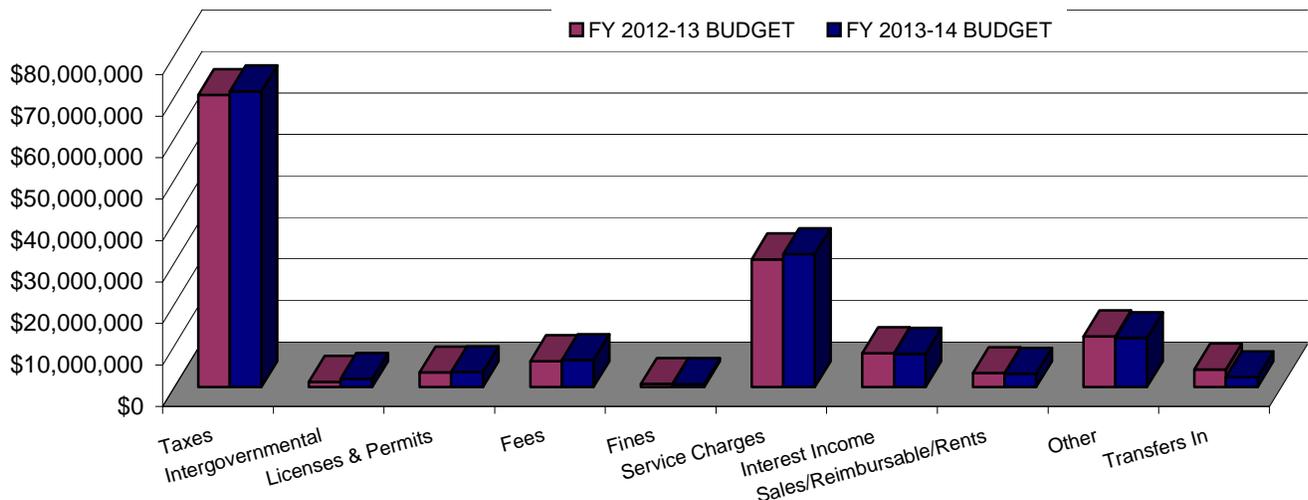
FY2013-2014 Budget



WHERE THE MONEY COMES FROM

ALL FUNDS REVENUES

FY 2012-13 BUDGET vs. FY 2013-14 BUDGET



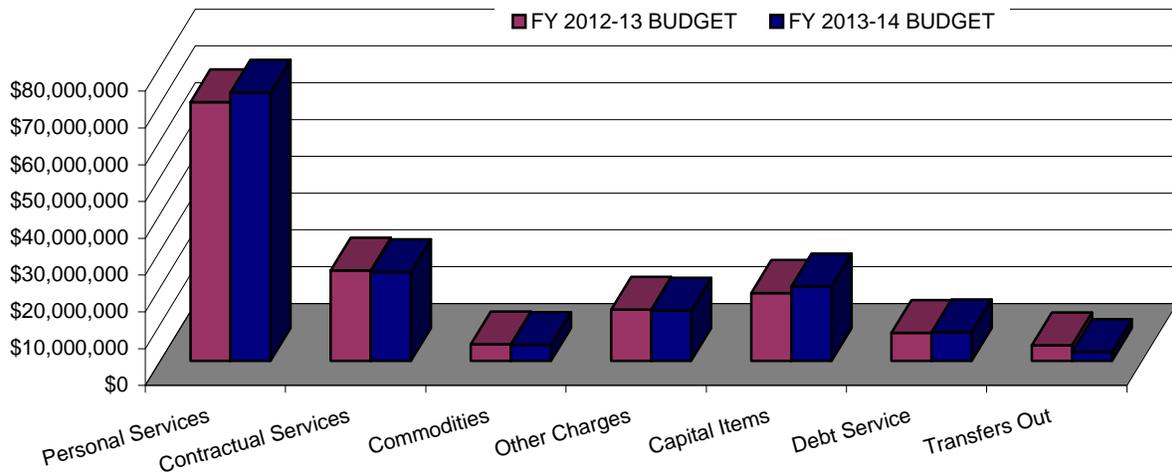
	FY 2010-11 ACTUAL	FY 2011-12 ACTUAL	FY 2012-13 BUDGET	FY 2013-14 BUDGET	% CHANGE
Taxes	66,051,659	70,408,718	70,436,924	71,305,225	1.2%
Intergovernmental	1,567,724	1,173,358	1,255,228	1,997,230	59.1%
Licenses & Permits	3,373,772	3,618,724	3,522,500	3,590,500	1.9%
Fees	6,219,424	6,514,779	6,234,600	6,516,000	4.5%
Fines	768,201	843,042	740,600	725,200	(2.1%)
Service Charges	28,144,647	28,335,927	30,803,200	32,075,100	4.1%
Interest Income	14,146,304	5,299,594	8,166,100	8,011,800	(1.9%)
Sales/Reimbursable/Rents	3,321,644	3,636,495	3,365,000	3,202,300	(4.8%)
Other	13,005,804	32,377,477	12,221,420	11,778,280	(3.6%)
	136,599,179	152,208,114	136,745,572	139,201,635	1.8%
Reserves	0	0	0	125,000	N/A
Transfers In	1,963,851	4,766,717	4,241,600	2,377,888	(43.9%)
Total Revenues	138,563,030	156,974,831	140,987,172	141,704,523	0.5%

NOTE: **Intergovernmental** revenues increased from the State grant for the Northwest Highway/Wilke Road traffic signal project. **Service Charges** increased primarily due to the 5% combined scheduled increase in water and sewer rates. **Reserves** reflects the planned use of Arts, Entertainment & Events Fund reserves for the repair and replacement of Village infrastructure at the Metropolis Theater. **Transfers In** decreased due to the \$1.7 million transfer in to the Emerald Ash Borer (EAB) Fund from the General Fund in the prior year.

WHERE THE MONEY GOES

ALL FUNDS EXPENDITURES

FY 2012-13 BUDGET vs. FY 2013-14 BUDGET



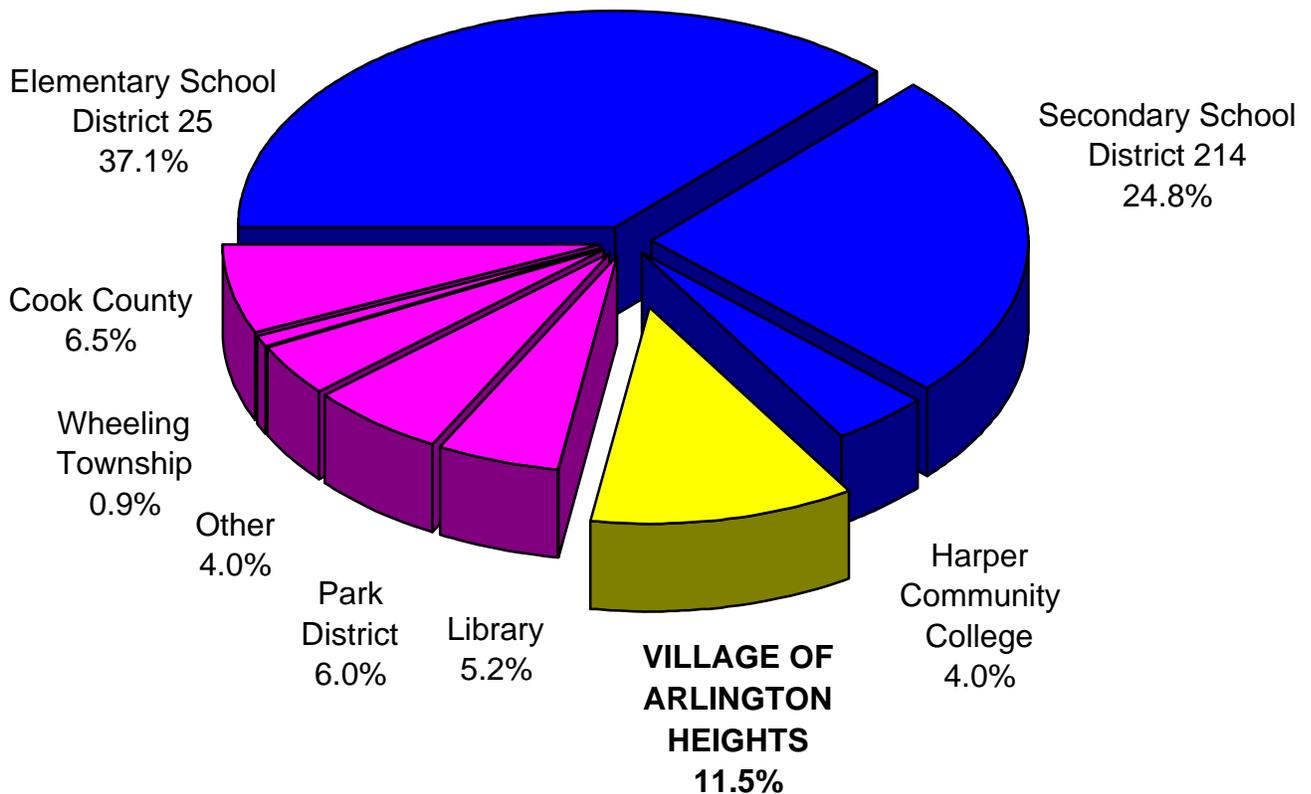
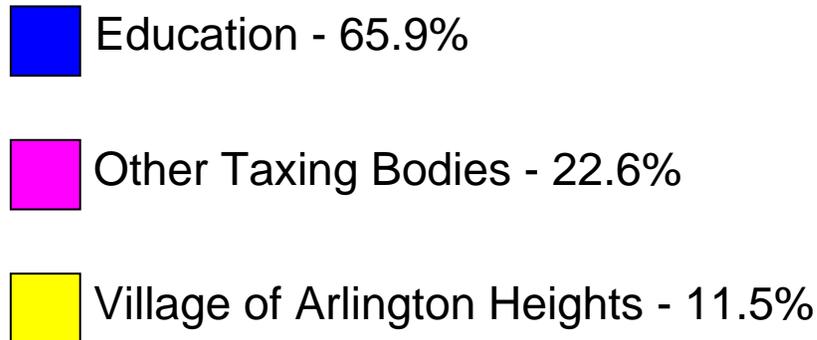
	FY 2010-11 ACTUAL	FY 2011-12 ACTUAL	FY 2012-13 BUDGET	FY 2013-14 BUDGET	% CHANGE
Personal Services	64,651,820	66,665,660	70,289,345	72,891,300	3.7%
Contractual Services	21,469,984	22,287,777	24,550,846	24,153,300	(1.6%)
Commodities	3,174,895	3,340,101	4,460,295	4,278,800	(4.1%)
Other Charges	9,119,586	10,175,942	13,881,897	13,695,830	(1.3%)
Capital Items	9,157,174	9,884,677	18,459,764	20,237,200	9.6%
Debt Service	10,999,362	28,370,051	7,574,500	7,740,500	2.2%
	118,572,821	140,724,208	139,216,647	142,996,930	2.7%
Transfers Out	1,963,851	4,766,717	4,241,600	2,377,888	(43.9%)
Total Expenditures	120,536,672	145,490,925	143,458,247	145,374,818	1.3%

NOTE: **Personal Services** increased due to pension, health insurance and wage adjustments. **Commodities** declined primarily from the reduction in rock salt required due to a below average snowfall. **Other Charges** were reduced due to the IMRF net pension obligation that was paid in the prior year. **Capital Items** increased due to ongoing expenditures associated with the Emerald Ash Tree removal and replacement program. **Transfers Out** decreased largely as a result of the \$1.7 million transfer out from the General Fund to the Emerald Ash Borer (EAB) Fund in the prior year.

Village of Arlington Heights

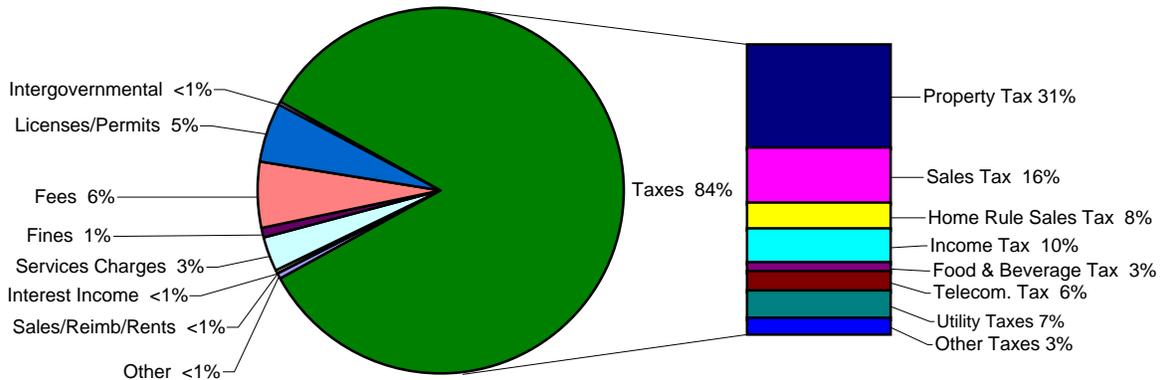
2011 PROPERTY TAX BILL

(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 11.5% OF THE ENTIRE PROPERTY TAX BILL.

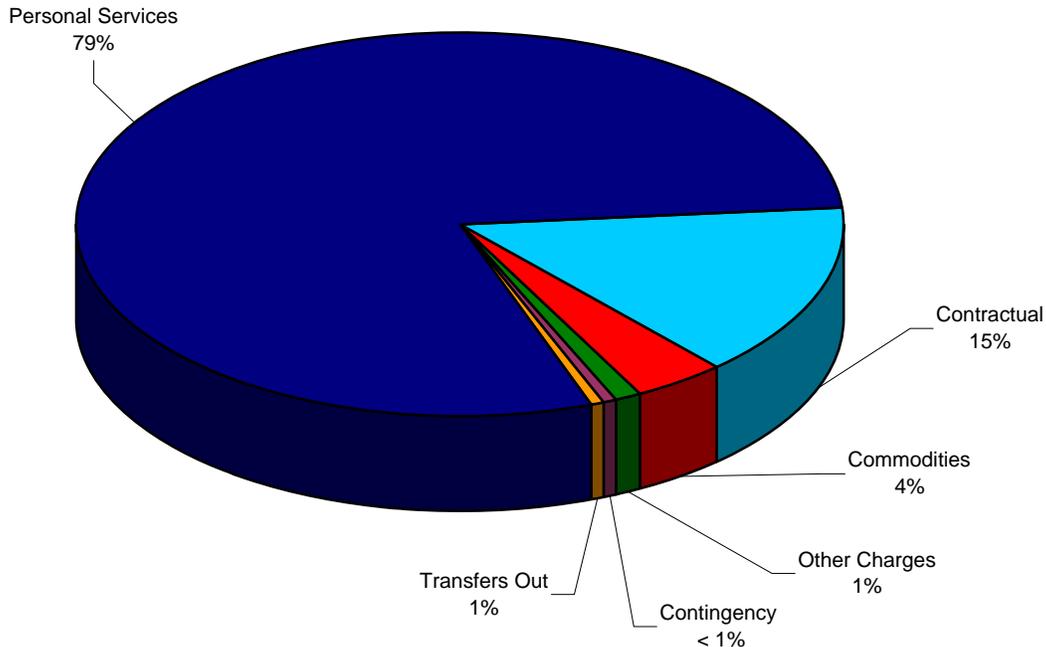
WHERE THE MONEY COMES FROM GENERAL FUND REVENUES 2013-2014 Fiscal Year



	FY 2010-11 ACTUAL	FY 2011-12 ACTUAL	FY 2012-13 BUDGET	FY 2013-14 BUDGET	% CHANGE
Taxes	51,306,194	54,828,925	55,560,580	56,706,700	2.1%
Intergovernmental	382,698	261,065	177,800	164,900	(7.3%)
Licenses/Permits	3,373,772	3,618,724	3,522,500	3,590,500	1.9%
Fees	3,755,725	3,816,241	3,697,600	3,943,100	6.6%
Fines	694,029	725,654	640,600	625,200	(2.4%)
Service Charges	2,021,291	2,030,165	2,070,700	2,079,800	0.4%
Interest Income	120,768	87,784	130,000	68,000	(47.7%)
Sales/Reimb/Rents	406,325	431,381	420,200	142,300	(66.1%)
Other	282,646	363,779	290,920	304,900	4.8%
Transfers In	60,186	0	0	0	0.0%
Total Revenue	62,403,634	66,163,718	66,510,900	67,625,400	1.7%

NOTE: **Intergovernmental** revenues decreased due to a Police grant and a Senior Center grant that were received in the prior year and are not expected to be received in FY2014. **Fees** increased due to higher actual cable franchise fee revenues being received than were previously budgeted. This may be due to residents choosing higher cost cable services for their HDTV broadcasts. **Interest Income** has been reduced due to ongoing lower short-term interest rates. **Sales/Reimbursables** declined as funds paid by the Northwest Central Dispatch for debt service payments are now being paid directly to the Debt Service Fund.

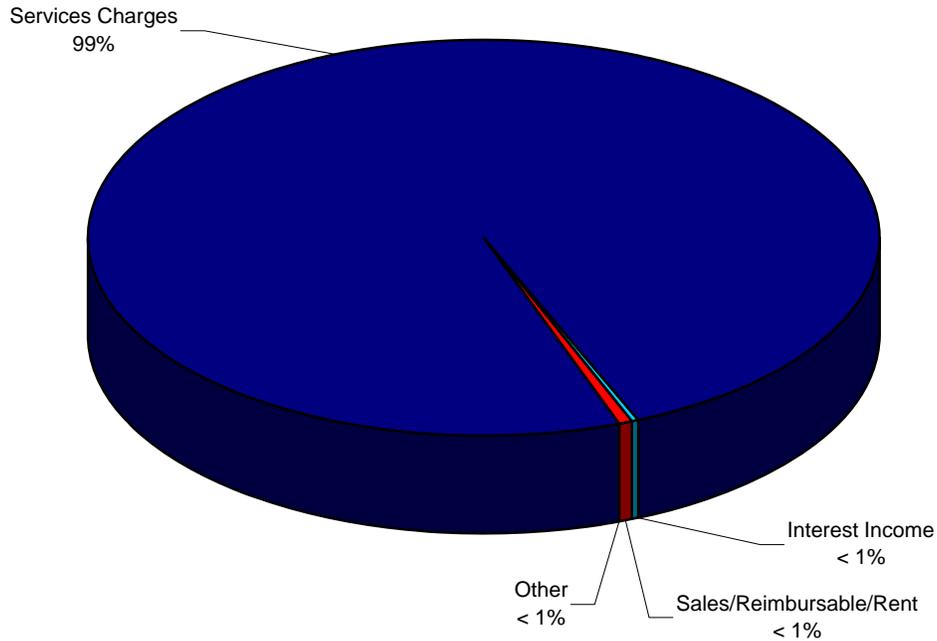
WHERE THE MONEY GOES GENERAL FUND EXPENDITURES 2013-2014 FISCAL YEAR



	FY 2010-11 ACTUAL	FY 2011-12 ACTUAL	FY 2012-13 BUDGET	FY 2013-14 BUDGET	% CHANGE
Personal Services	48,269,157	49,522,320	51,733,000	53,504,300	3.4%
Contractual Services	8,519,534	8,571,746	9,589,747	9,918,700	3.4%
Commodities	2,034,310	2,057,910	2,934,295	2,706,200	(7.8%)
Other Charges	498,407	509,724	1,353,206	781,900	(42.2%)
Contingency	0	0	439,890	300,000	(31.8%)
Transfers Out	290,700	2,869,900	2,731,900	360,000	(86.8%)
Total Expenditures	59,612,108	63,531,600	68,782,038	67,571,100	(1.8%)

NOTE: **Personal Services** increased due to pension, health insurance, and wage adjustments. **Contractual Services** increased due in part to higher Northwest Central Dispatch charges. Police and Fire vehicle lease charges increased as a result of higher replacement costs. There is also an increase attributable to a budgeted TIF consultant. **Commodities** decreased from a reduction of rock salt required due to a below average snowfall. **Other Charges** declined due to the IMRF net pension obligation paid in the prior year. **Contingency** is budgeted each year but if used, is classified as an expenditure type. If not used it becomes part of available reserves. The FY2013 budget shows that there is still \$448,645 remaining as a contingency as of the date of this writing. **Transfers Out** decreased due to \$1.7 million transferred to the Emerald Ash Borer (EAB) Fund and \$400,000 transferred to the Fleet Fund in the prior year.

WHERE THE MONEY COMES FROM WATER & SEWER FUND REVENUES 2013-2014 FISCAL YEAR



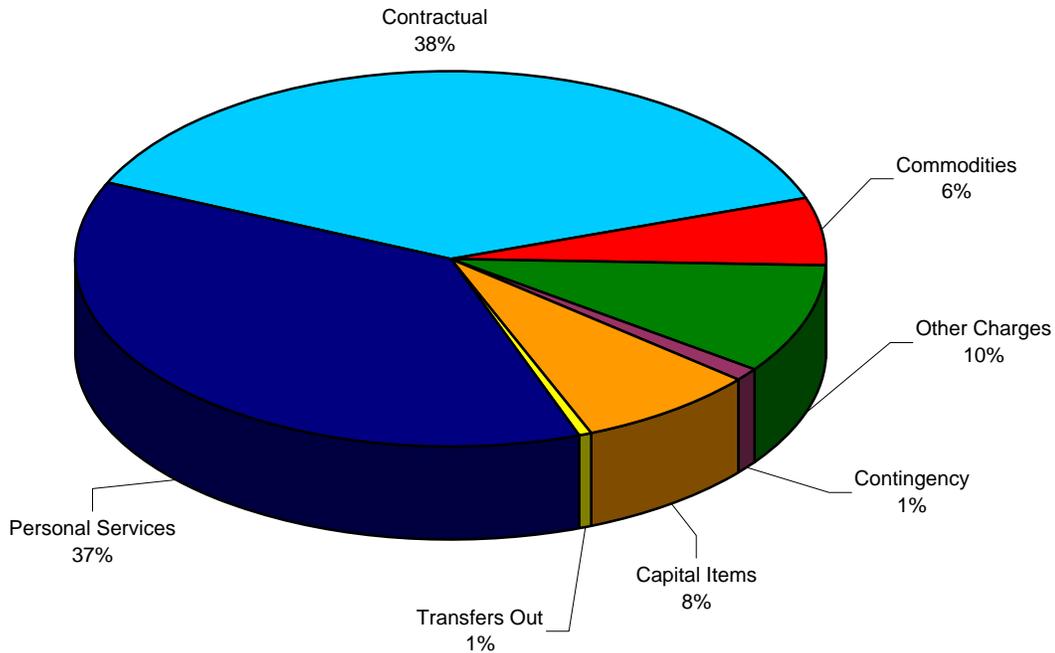
	FY 2010-11 ACTUAL	FY 2011-12 ACTUAL	FY 2012-13 BUDGET	FY 2013-14 BUDGET	% CHANGE
Services Charges	12,730,188	12,960,678	14,869,600	15,292,100	2.8%
Interest Income	39,606	17,137	30,000	20,000	(33.3%)
Sales/Reimbursable/Rent	89,959	116,255	82,000	82,000	0.0%
Other	(69,476)	514,510	15,000	15,000	0.0%
Total Revenues	12,790,277	13,608,580	14,996,600	15,409,100	2.8%

NOTE: **Service Charges** include sales for water and sewer service. Water consumption has been projected based on historical usage which has been trending somewhat lower. A combined water and sewer rate increase of 5% was also approved effective as of May 1, 2013. **Interest Income** has been reduced due to ongoing lower short-term interest rates.

WHERE THE MONEY GOES

WATER & SEWER FUND EXPENDITURES

2013-2014 FISCAL YEAR



	FY 2010-11 ACTUAL	FY 2011-12 ACTUAL	FY 2012-13 BUDGET	FY 2013-14 BUDGET	% CHANGE
Personal Services	5,256,961	5,262,789	5,687,200	5,875,600	3.3%
Contractual	5,448,774	5,488,870	5,930,084	6,028,900	1.7%
Commodities	566,338	665,643	899,279	890,800	(0.9%)
Other Charges	1,292,058	1,389,695	1,461,000	1,502,900	2.9%
Contingency	0	0	126,342	182,900	44.8%
Capital Items	1,088,592	1,154,822	1,746,155	1,224,900	(29.9%)
Transfers Out	0	0	80,000	80,000	0.0%
Total Expenditures	13,652,723	13,961,819	15,930,060	15,786,000	(0.9%)

NOTE: **Personal Services** increased due to pension, health insurance, and wage adjustments. **Contingency** increased from the prior year due to transferring \$74,000 during FY2013 to a capital expense to cover additional costs associated with the Well #7 rehabilitation project. Contingency is budgeted each year but if used, is classified as an expenditure type. If not used it becomes part of available reserves. The FY2013 budget shows that there is still \$126,342 remaining as a contingency as of the date of this writing. **Capital Items** decreased due to the prior year's costly Well #16 water tank painting project.

VILLAGE OF ARLINGTON HEIGHTS
EMPLOYEE CENSUS

Ten Year Analysis

DEPARTMENT		FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014
Manager's Office	Full-Time	5.00	5.00	5.50	5.50	6.50	6.50	6.00	6.00	6.00	6.00
	Part-Time	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Human Resources	Full-Time	4.00	4.00	4.50	4.50	4.50	4.50	4.00	4.00	4.00	4.00
	Part-Time	1.00	1.00	0.00	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	1.00	1.00	1.00	1.00	1.00	1.00
	Part-Time	3.00	3.00	3.00	3.00	4.00	4.00	3.00	3.00	3.00	3.00
Finance	Full-Time	20.00	20.00	19.00	19.00	19.00	18.00	17.00	17.00	17.00	17.00
	Part-Time	4.00	4.00	3.00	3.00	3.00	2.00	2.00	1.00	1.00	1.00
IT/GIS	Full-Time	9.00	9.00	7.00	7.00	7.00	7.00	7.00	6.00	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	148.00	148.00	146.00	138.00	137.00	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	1.00	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	106.00	105.00	114.00	114.00	113.00	110.00	109.00	109.00	109.00
	Part-Time	1.00	1.00	1.00	1.00	1.00	1.00	1.00	3.00	3.00	3.00
Planning & Comm Devlp	Full-Time	11.00	11.00	11.00	11.00	11.00	11.00	9.00	9.00	9.00	9.00
	Part-Time	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Building Services	Full-Time	19.00	18.00	18.00	18.00	19.00	18.00	17.00	15.00	15.00	15.00
	Part-Time	0.00	0.00	0.00	1.00	1.00	1.00	1.00	3.00	3.00	3.00
Health Services	Full-Time	11.00	11.00	11.00	11.00	11.00	11.00	10.00	9.00	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	0.00	0.00	0.00	0.00
	Part-Time	2.00	3.00	3.00	3.00	3.00	3.00	0.00	0.00	0.00	0.00
Senior Services	Full-Time	4.00	2.00	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00
	Part-Time	2.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.00	5.00
Engineering	Full-Time	13.00	13.00	13.00	13.00	13.00	12.00	10.00	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	49.00	49.00	49.00	49.00	50.00	49.00	44.00	42.00	42.00	42.00
	Part-Time	1.00	0.00	0.00	0.00	1.00	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	40.00	40.00	40.00
	Part-Time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	1.00
Fleet Services	Full-Time	11.00	11.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
	Part-Time	0.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
TOTAL	Full-Time	455.00	453.00	449.00	458.00	460.00	452.00	426.00	417.00	417.00	417.00
	Part-Time	18.00	23.00	20.00	21.00	23.00	21.00	17.00	20.00	20.00	20.00
TOTAL EMPLOYEES		473.00	476.00	469.00	479.00	483.00	473.00	443.00	437.00	437.00	437.00
INCREASE (DECREASE)		0.00	3.00	(7.00)	10.00	4.00	(10.00)	(30.00)	(6.00)	0.00	0.00
FULL-TIME EQUIVALENTS (FTE)		463.50	464.00	458.50	468.25	471.75	462.75	434.50	427.00	427.25	427.25
INCREASE (DECREASE)		(1.50)	0.50	(5.50)	9.75	3.50	(9.00)	(28.25)	(7.50)	0.25	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 FY2014

OPERATION	STAFFING			EXPENDITURES		
	Budget FY2013	Budget FY2014	Increase (Decrease)	Budget FY2013	Budget FY2014	Increase (Decrease)
Board of Trustees	0.00	0.00		\$188,535	\$182,000	(\$6,535)
Village Manager	6.00	6.00		939,017	961,600	22,583
Human Resources	4.00	4.00		13,410,700	14,618,700	1,208,000
Legal	2.75	2.75		729,600	770,800	41,200
Finance/T/GIS	23.50	23.50		5,001,263	5,080,600	79,337
Boards & Commissions	0.00	0.00		259,455	229,800	(29,655)
Metropolis Theater	0.00	0.00		197,300	317,000	119,700
Police/Police Grant	139.00	139.00		23,445,012	24,160,100	715,088
Fire	110.50	110.50		19,624,277	20,137,700	513,423
Planning & Community Development	9.00	9.00		3,591,055	2,943,100	(647,955)
Building & Health Services	29.00	29.00		4,074,971	4,251,100	176,129
Engineering	10.00	10.00		11,383,466	11,638,500	255,034
Public Works	42.25	42.25		14,491,178	15,511,400	1,020,222
Criminal Investigations	0.00	0.00		779,125	132,500	(646,625)
Fire Academy	0.00	0.00		161,695	0	(161,695)
Foreign Fire Insurance Tax	0.00	0.00		234,814	145,000	(89,814)
Comm Development Block Grant Program	0.00	0.00		89,585	154,230	64,645
Water Utility Operations	40.75	40.75		13,242,360	13,455,700	213,340
Parking Operations	0.00	0.00		640,690	618,500	(22,190)
Solid Waste Disposal	0.00	0.00		1,417,400	1,301,700	(115,700)
Municipal Fleet Services	10.50	10.50		2,049,400	2,200,900	151,500
Pensions	0.00	0.00		10,228,700	10,738,400	509,700
Capital Projects - Water/Sewer	0.00	0.00		1,429,158	975,000	(454,158)
Capital Projects - Equipment	0.00	0.00		2,300,848	3,555,800	1,254,952
Capital Projects - Public Buildings	0.00	0.00		18,966	0	(18,966)
Debt Service	0.00	0.00		7,574,500	7,740,500	166,000
Sub-Total	427.25	427.25	0.00	\$137,503,070	\$141,820,630	\$4,317,560
Non-Operating & Transfers Out	N/A	N/A	N/A	5,955,177	3,554,188	(2,400,989)
TOTAL	427.25	427.25	0.00	\$143,458,247	\$145,374,818	\$1,916,571

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 2013-14.

CAPITAL SPENDING

Building & Land	\$ 838,500
Equipment	1,186,800
Sewer	1,790,000
Signals	613,800
Streets	10,529,300
Vehicles	3,555,800
Water	675,000
TOTAL	<u><u>\$ 19,189,200</u></u>

CAPITAL FUNDING

Capital Projects Fund	\$ 6,534,100
Water & Sewer Fund	1,224,900
Motor Fuel Tax Fund	1,909,700
Municipal Parking Operations Fund	112,500
TIF IV	600,000
Flood Control V Fund	890,000
Public Building Fund	270,000
Emerald Ash Borer (EAB) Fund	2,296,300
Arts, Entertainment & Events (A&E) Fund	157,000
Fleet Operations Fund	3,330,800
Technology Fund	231,800
State/Federal/County & Grant Funds	1,632,100
TOTAL	<u><u>\$ 19,189,200</u></u>

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

CAPITAL SPENDING			EST ACT	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
FUND	PROJ #		2012-13	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
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	16,818	10,000	10,000	10,000	10,000	10,000
Public Works Annex Improvements	Water	BL-93-02	23,800	23,795	20,000	20,000	20,000	20,000	20,000
Building Equipment Replacement	Cap Proj	BL-95-04	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Municipal Buildings Refurbishing	Cap Proj	BL-95-05	30,000	30,000	32,000	32,000	32,000	32,000	32,000
Roof Maintenance Program	Cap Proj	BL-95-06	259,100	259,070	46,500	179,000	29,500	91,000	10,000
Roof Maintenance Program	Water	BL-95-06	0	0	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	20,000	20,000	20,000	20,000	20,000	20,000
Historical Society Museum - Building Repairs	Cap Proj	BL-96-04	72,800	59,390	25,000	25,000	25,000	25,000	25,000
Parking Structure Maintenance/Repairs	Parking	BL-00-06	5,000	5,000	5,000	75,000	75,000	5,000	5,000
Police Station (Space Needs Study)	Pub Bld	BL-08-04	19,000	18,966	0	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	25,000	619,090	100,000	0	0	0	0
Solar Bike Shelter	Cap Proj	BL-10-15	0	0	0	0	0	0	0
Paint North Garage	Parking	BL-12-02	0	0	0	0	0	0	0
Garage U (Underground) Signage	Parking	BL-12-03	0	0	0	0	0	0	0
Fire Department Training Tower Renovation	Cap Proj	BL-13-10	0	0	150,000	0	0	0	0
Phone System Upgrade	Pub Bld	BL-13-15	50,000	105,000	170,000	0	0	0	0
Security Cameras in Parking Garages	Parking	BL-14-01	0	0	30,000	30,000	30,000	0	0
Paint Municipal Complex Garage (M)	Parking	BL-14-02	0	0	12,500	0	0	0	0
Paint Municipal Complex Garage (M)	Cap Proj	BL-14-02	0	0	37,500	0	0	0	0
Parking Structure Evaluation	Parking	BL-14-10	0	0	50,000	0	0	0	0
Metropolis Theater 2nd Floor Refurbishment	A&E	BL-14-15	0	0	55,000	0	0	0	0
Police Facility	Pub Bld	BL-16-01	0	0	0	1,000,000	1,000,000	12,000,000	15,000,000
Sub-Total Building & Land			589,700	1,232,129	838,500	1,466,000	1,316,500	12,278,000	15,197,000
Equipment									
2-Way Mobile Radio Replacement	Water	EQ-09-02	48,000	48,000	0	0	0	0	0
Operational Equipment - Public Works	Cap Proj	EQ-94-01	154,700	154,673	179,300	74,000	79,800	136,800	22,000
Operational Equipment - Public Works	EAB	EQ-94-01	43,000	45,000	7,000	0	0	0	0
Operational Equipment - Public Works	Water	EQ-94-01	220,200	220,202	204,900	181,000	224,000	209,700	219,000
Operational Equipment - Police Department	Cap Proj	EQ-95-01	6,900	6,914	86,700	64,200	41,700	46,800	47,500
Operational Equipment - Fire Department	Cap Proj	EQ-95-02	87,000	96,000	126,000	98,000	97,000	116,000	128,000
Office Equipment	Cap Proj	EQ-95-03	22,871	24,006	38,600	25,000	25,000	25,000	25,000
Office Equipment	Water	EQ-95-03	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Operational Equipment - Municipal Fleet Services	Cap Proj	EQ-97-01	35,800	35,800	55,500	21,000	31,000	31,000	0
IT Equipment Replacement	IT	EQ-97-08	210,000	238,863	231,800	236,800	241,800	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	65,000	85,000	95,000	80,000	150,000	135,000	80,000
Operational Equipment - Engineering Department	Cap Proj	EQ-01-04	5,000	5,000	5,000	5,000	15,000	0	0
Equipment Replacement - Metropolis	A&E	EQ-06-03	40,300	40,300	32,000	33,000	34,000	35,000	36,000
Patrol Vehicle Equipment Replacement Program	Cap Proj	EQ-08-03	0	0	20,000	35,000	35,000	40,000	60,000
Operational Equipment - Municipal Parking Fund	Parking	EQ-09-01	10,000	10,000	10,000	10,000	10,000	10,000	10,000
2-Way Mobile Radio Replacement - Public Works	Cap Proj	EQ-09-05	180,000	180,000	0	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	347,500	348,000	0	0	0	0	0
Metropolis Theater Ticketing/IT Replacement	A&E	EQ-14-10	0	0	40,000	0	0	0	0
Metropolis Theater Sound System Upgrade	A&E	EQ-14-05	0	0	30,000	0	0	0	0
Sub-Total Equipment			1,501,271	1,562,758	1,186,800	888,000	1,009,300	1,052,100	894,300
Sewers									
Sewer Rehab/Replacement Program	Water	SW-90-01	250,000	250,000	300,000	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	250,000	250,000	50,000	0	0	0	0
Federal Stormwater Regulation Measures	Water	SW-05-04	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	136,578	0
Cypress Detention Basin/Lift Station	FLDV	SW-11-05	0	80,000	80,000	0	0	0	0
Council Trail Sewer & Street Improvements	TIF IV	SW-13-01	0	0	600,000	0	0	0	0
Flood Study	FLDV	SW-13-02	150,000	150,000	400,000	0	0	0	0
Utility Modeling	FLDV	SW-13-03	200,000	200,000	160,000	0	0	0	0
Sub-Total Sewers			1,050,000	1,130,000	1,790,000	500,000	500,000	436,578	300,000

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

CAPITAL SPENDING (continued)			EST ACT	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
	Fund	PROJ #	2012-13	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Signals									
Traffic Signal Maintenance	MFT	SG-03-02	111,500	113,800	113,800	116,100	118,400	120,800	123,200
Traffic Signal Imprv at Northwest Hwy/Wilke	Cap Proj	SG-08-02	200,000	661,620	500,000	0	0	0	0
Sub-Total Signals			311,500	775,420	613,800	116,100	118,400	120,800	123,200
Streets									
Street Resurfacing Program	Cap Proj	ST-90-08	3,745,500	3,745,519	3,400,000	3,500,000	3,600,000	3,700,000	3,800,000
Street Rehabilitation Program	MFT	ST-90-09	1,845,000	2,359,668	2,045,000	0	2,045,000	2,045,000	2,045,000
Sidewalk & Curb Replacement	Cap Proj	ST-90-11	315,000	315,000	325,000	335,000	345,000	355,000	365,000
Pavement Crack Sealing Program	MFT	ST-92-01	107,800	107,801	85,000	85,000	85,000	85,000	85,000
Green Corridor Beautification	TIF IV	ST-99-03	0	0	0	0	95,000	0	0
Green Corridor Beautification	Cap Proj	ST-99-03	17,700	17,711	0	0	0	0	0
Street Light Cable Replacement	Cap Proj	ST-00-01	10,000	10,000	10,000	10,000	10,000	10,000	10,000
HPS Street Light Conversion	Cap Proj	ST-00-03	4,700	4,688	0	0	0	0	0
Gateway Signs & Beautification	Cap Proj	ST-01-01	10,200	10,200	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	68,400	60,019	25,000	25,000	25,000	25,000	25,000
Northwest Hwy/Davis Street/Arthur Avenue	Cap Proj	ST-05-03	625,000	1,327,482	2,300,000	0	0	0	0
Parking Lot Resurfacing	Parking	ST-09-01	40,000	40,000	0	0	0	0	0
Parking Lot Resurfacing	Cap Proj	ST-09-01	75,000	75,000	20,000	0	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	22,400	22,354	0	0	0	0	0
Algonquin Road Street Lighting	MFT	ST-09-12	210,000	210,000	0	0	0	0	0
Commuter Drive Reconstruction	Cap Proj	ST-11-05	220,000	162,000	0	0	0	0	0
Davis/Sigwalt Streets Fencing/Landscape Upgrade	Cap Proj	ST-12-01	10,500	8,296	0	0	0	0	0
Parkway Ash Tree Removal/Replacement Prog	EAB	ST-13-20	672,400	670,400	2,289,300	2,973,300	1,475,700	1,484,600	779,400
Downtown Street Furniture	Cap Proj	ST-14-01	0	0	10,000	10,000	10,000	10,000	10,000
Dundee Rd/Kennicott Ave Pedestrian Actuation	Cap Proj	ST-14-05	0	0	20,000	0	0	0	0
Traffic Signal Pedestrian Upgrade - Central at Arthur	Cap Proj	ST-14-10	0	0	0	10,000	0	0	0
Nichols Road Reconstruction	MFT	ST-15-05	0	0	0	450,000	0	0	0
Walnut Avenue Reconstruction	MFT	ST-15-10	0	0	0	250,000	0	0	0
Arl Hts Rd - Sigwalt St/Miner St Interconnection	Cap Proj	ST-16-05	0	0	0	15,000	0	0	0
Euclid Ave - Arl Hts Rd/Dunton St Interconnection	Cap Proj	ST-16-10	0	0	0	0	42,500	0	0
Sub-Total Streets			8,049,600	9,196,138	10,529,300	7,663,300	7,733,200	7,714,600	7,119,400
Vehicles									
Vehicle and Special Equipment Repl - PW	Fleet	VH-95-01	706,000	745,490	1,366,000	1,463,100	561,000	256,000	233,000
Vehicle and Special Equipment Repl - W&S	Fleet	VH-95-02	514,400	739,616	321,000	509,500	568,000	430,000	533,000
Vehicle Replacement - Police Department	Fleet	VH-95-03	75,600	106,000	201,800	304,000	255,600	251,000	165,000
Vehicle Replacement - Fire Department	Fleet	VH-95-04	425,500	488,742	1,575,000	562,500	615,500	660,000	170,000
Vehicle Replacement - Municipal Fleet Services	Fleet	VH-95-06	0	26,000	26,000	41,000	0	0	0
Vehicle Replacement - Municipal Parking Operations	Fleet	VH-95-08	22,000	22,000	16,000	23,000	83,000	0	0
Vehicle Replacement - Building & Health Services	Fleet	VH-95-10	81,000	81,000	0	86,000	129,000	0	0
Vehicle Replacement - Engineering Department	Fleet	VH-95-11	46,000	46,000	50,000	50,000	50,000	0	20,000
Vehicle Replacement - Planning Department	Fleet	VH-95-12	17,500	23,000	0	25,000	0	0	0
Vehicle Replacement - Village Manager's Office	Fleet	VH-95-13	17,900	23,000	0	0	0	0	0
Vehicle Replacement - IT/GIS Department	Fleet	VH-95-15	0	0	0	0	23,000	0	0
Sub-Total Vehicles			1,905,900	2,300,848	3,555,800	3,064,100	2,285,100	1,597,000	1,121,000
Water									
Automatic Meter Reading System	Water	WA-03-02	0	0	0	100,000	200,000	200,000	100,000
Water Tank Repainting	Water	WA-11-01	498,600	498,600	0	200,000	200,000	200,000	200,000
Deep Well Rehabilitation	Water	WA-11-02	255,600	255,553	275,000	0	0	0	250,000
Pump Station 17 NWWC Bypass	Water	WA-13-05	75,000	75,000	0	0	0	0	0
Watermain Replacement Program	Water	WA-90-01	350,000	350,000	400,000	400,000	400,000	400,000	400,000
Sub-Total Water			1,179,200	1,179,153	675,000	700,000	800,000	800,000	950,000
Total Capital Spending			14,587,171	17,376,446	19,189,200	14,397,500	13,762,500	23,999,078	25,704,900

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

CAPITAL FUNDING BY FUND	EST ACT	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
	2012-13	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Capital Projects Fund	6,741,071	7,860,560	7,607,100	4,643,200	4,693,500	4,878,600	4,739,500
Water & Sewer Fund	1,746,200	1,746,150	1,224,900	1,226,000	1,369,000	1,354,700	1,514,000
Motor Fuel Tax Fund	2,274,300	2,791,269	2,243,800	901,100	2,248,400	2,250,800	2,253,200
Municipal Parking Operations Fund	60,000	60,000	112,500	120,000	120,000	20,000	20,000
TIF IV Fund	0	0	600,000	0	95,000	0	0
Flood Control V Fund	800,000	880,000	890,000	200,000	200,000	136,578	0
Public Buildings Fund	94,000	743,056	270,000	1,000,000	1,000,000	12,000,000	15,000,000
Emerald Ash Borer (EAB) Fund	715,400	715,400	2,296,300	2,973,300	1,475,700	1,484,600	779,400
Arts, Entertainment & Events Fund	40,300	40,300	157,000	33,000	34,000	35,000	36,000
Fleet Operations Fund	1,905,900	2,300,848	3,555,800	3,064,100	2,285,100	1,597,000	1,121,000
Technology Fund	210,000	238,863	231,800	236,800	241,800	241,800	241,800
Total Capital Funding	14,587,171	17,376,446	19,189,200	14,397,500	13,762,500	23,999,078	25,704,900

CAPITAL FUNDING BY REVENUE SOURCE	EST ACT	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET	BUDGET
	2012-13	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Charges to Operations	1,715,900	2,139,711	3,142,200	3,300,900	2,526,900	1,838,800	1,362,800
Motor Fuel Tax Allotment	1,809,900	1,784,000	1,809,900	567,000	1,809,900	1,809,900	1,809,900
Taxes							
Food & Beverage Tax	40,300	40,300	32,000	33,000	34,000	35,000	36,000
Property Tax	2,593,100	2,625,000	2,700,000	2,800,000	2,900,000	3,000,000	3,100,000
Property Tax Increment	0	0	533,000	0	95,000	0	0
Sales Tax Home Rule	1,710,000	1,710,000	1,727,100	1,761,600	1,793,500	1,868,800	1,639,500
Water Sales	1,746,200	1,746,150	1,224,900	1,226,000	1,369,000	1,354,700	1,514,000
Bond Proceeds	0	0	0	2,973,300	2,445,700	13,474,600	15,774,400
Other (including interest income)	147,556	147,100	466,100	156,500	152,500	41,300	25,500
Grants/State/Federal/County/Private	814,100	734,100	1,522,100	334,100	0	0	0
Operating Transfer In from General Fund	1,115,400	1,115,400	2,296,300	0	0	0	0
Cash on Hand	2,894,715	5,334,685	3,735,600	1,245,100	636,000	575,978	442,800
Total Capital Funding	14,587,171	17,376,446	19,189,200	14,397,500	13,762,500	23,999,078	25,704,900

CAPITAL IMPROVEMENT PROGRAM (CIP) IMPACT ON FY2013-14 OPERATING BUDGET

Most of the capital improvement projects listed in the Village's CIP ***Five Year Spending and Funding Summary*** will not cause an increase or a decrease in operating expenses. There are two projects, however, that will affect operating expenses. These projects include the following:

BUILDING & LAND

Project Name: Security Cameras in Parking Garages (BL-14-01)

Description: Installation of a video surveillance camera system on all floors, stairwells and elevators of the Vail Avenue Garage, North Garage and Evergreen Underground Garage over the next three years.

FY2013-14 Budget: \$30,000 (Total Project Cost: \$90,000)

Operating Budget Impact: When completed these three new systems will require some additional annual maintenance costs.

STREETS

Project Name: Davis/Sigwalt Streets Fencing/Landscape Upgrade

Description: Installation of security fencing from the pedestrian underpass to the Arthur Avenue rail crossing. This project is subject to the receipt of a State grant for 80% of the cost.

FY2013-14 Budget: \$141,000 (Total Project Cost: \$141,000)

Operating Budget Impact: If completed, this new fencing would require some additional maintenance and upkeep costs.

DEBT SUMMARY

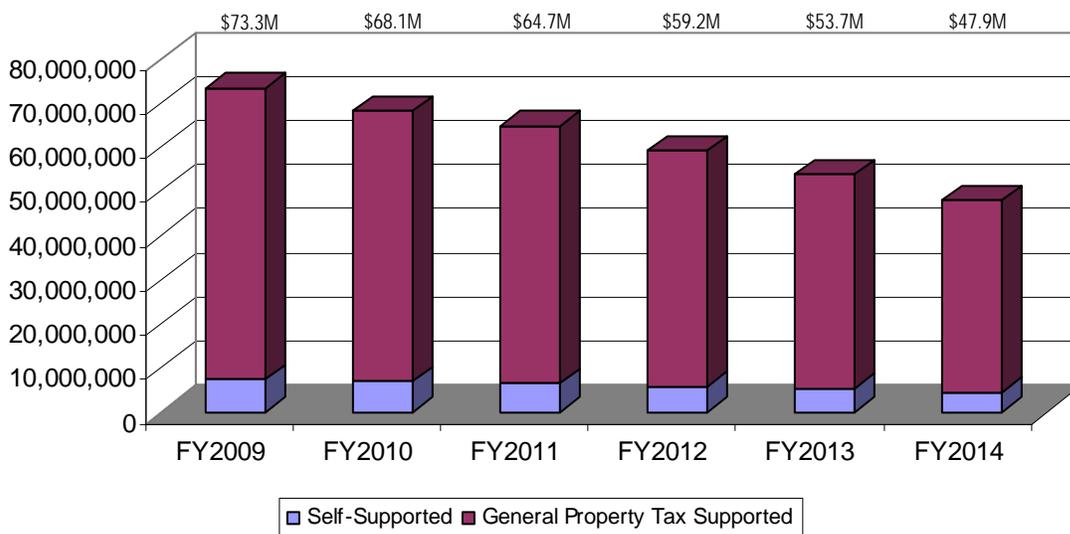
OVERVIEW AND DEBT FINANCING PRINCIPLES

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 2009 through 2014**



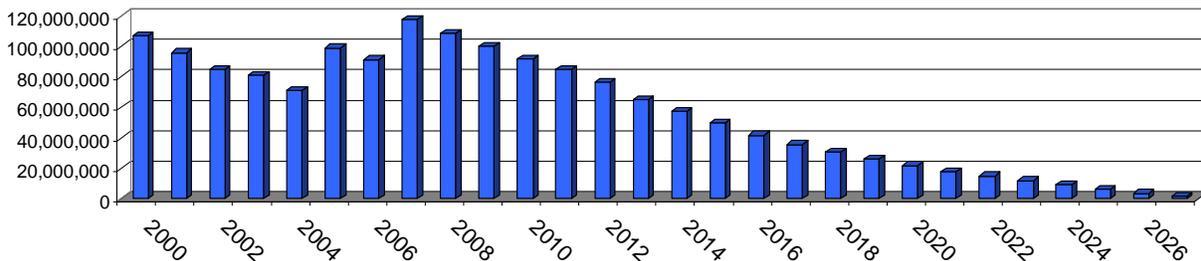
Note: In FY2007 the 2006 Capital Projects G. O. Bonds were issued for the construction of public buildings.

DEBT SUMMARY

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

Total Principal & Interest Outstanding FY2000 through FY2027

Includes Self-Supported (TIF, NWCD) and Tax Supported Debt



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 not be included in the foregoing percentage amounts.”

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

TYPES OF VILLAGE DEBT

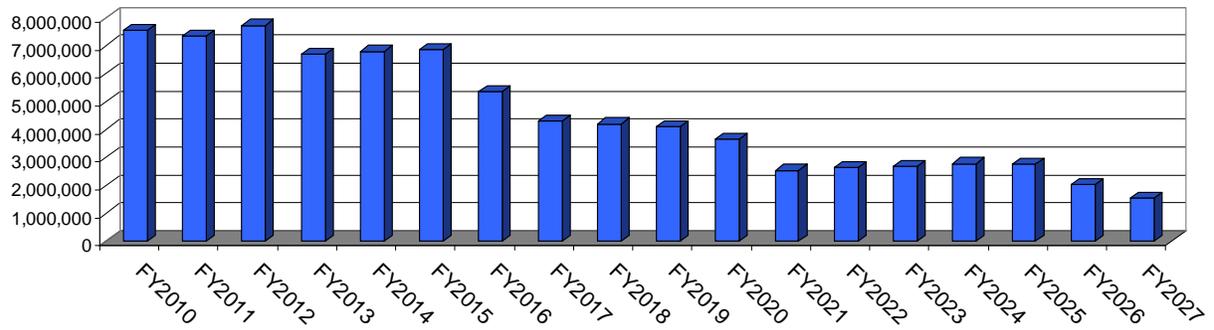
The Village's general obligation bond rating is Aa1 from Moody's Investors Service. A general obligation bond has the full faith and credit of the Village pledged. The general obligation alternate revenue bonds, which are a pledge of a specific revenue source, (i.e. utility taxes, sales taxes, water 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

The chart below will help us visualize and manage our annual tax supported debt service:

**Tax Supported Debt Service Payments by Year
FY2010 through FY2027**



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				53,730,000

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	47,774
Number of Ballots Cast in Last Municipal Election 4-5-11	6,657

Village Bond Rating

Aa1

Fire ISO Rating

2 (1/1/2013)

Various Taxes

Sales Tax	9.00%
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	\$78,494
Per Capita Income	\$41,654
Median Age	42.7
% of population over 65	17%
Education (population 25 years & older)	
High school graduate or higher	94.7%
Bachelor's degree or higher	51.6%
Unemployment Percentage (12/2012) (b)	6.3%

Home Value (a)

Median Home Value	\$358,000
Median Gross Rent	\$1,101
\$0 to \$99,999	815
\$100,000 to \$149,999	1,039
\$150,000 to \$199,999	1,715
\$200,000 to \$299,999	4,393
\$300,000 to \$499,000	10,422
\$500,000 to \$999,999	4,418
\$1,000,000 or more	330

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)	\$10,199,945,938
Equalized Assessed Valuation (EAV) (2009)	\$3,399,641,981

EAV Breakdown by Type of Property

	2010 EAV	% of Total
Residential	\$2,328,125,638	68.5%
Commercial	808,869,919	23.8%
Industrial	261,967,060	7.7%
Railroad	679,364	< 0%
	<u>\$3,399,641,981</u>	<u>100.0%</u>

Other (d)

Miles of Streets 230

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	20,969
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	361,117
Number of Registered Borrowers	53,691
FY2010-2011 Total Circulation	2,670,136

BUSINESS

The Village has 1,737 businesses paying sales taxes.

2011 Kind of Business Report (e)

Sales Category	Sales Volume	%
General Merchandise	\$ 669,787	6.4%
Food	2,002,656	19.1%
Restaurant Dining	1,391,013	13.3%
Apparel	331,067	3.2%
Furniture, Household	780,410	7.5%
Lumber/Building/Hardware	500,808	4.8%
Automotive/Filling Stations	1,913,709	18.3%
Drugs & Misc. Retail	1,353,134	12.9%
Agriculture & All Others	1,213,254	11.6%
Manufacturers	303,723	2.9%
Total	\$ 10,459,561	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..... 2011

Chaddick Municipal Development Process Award 2010

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

Notes:

- (a) 2010 Census & US Census Bureau Website
- (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