

April, 2007

Oak Park Township Electors:

The current Township Board was elected in 2005 and this fiscal year is the third in its four-year term. In the past three years the Board has worked diligently to identify challenges and establish a framework for meeting those challenges.

The Government Finance Officers Association (GFOA) is the professional association of state, provincial and local finance officers in the United States and Canada. The GFOA Budget Awards Program is a program designed to encourage governments to prepare budget documents of the highest quality to meet the needs of decision-makers and citizens. Experts in government finance review budgets submitted for consideration. Budgets meeting the awards criteria established by GFOA are issued the Distinguished Budget Presentation Award. The Township has received the award since FY 04. Staff has worked diligently on the FY 08 budget to address constructive criticism offered by the reviewers and will submit it for consideration of the award. For the first time the Township's Comprehensive Annual Financial Report was awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting for the year-ending March 31, 2006. Both awards from GFOA indicate that the Township is observing and implementing the highest standards of contemporary local government financial management.

The Township complies with Generally Accepted Accounting Principles (GAAP) and the budget meets all legal requirements. The budget provides a complete financial picture of Oak Park Township's programs, fiscal operations, revenues and expenses. Included in the budget are descriptions of programs and services and detailed budgets for each of the Township funds: Town, General Assistance and Community Mental Health.

FY 08 Planning Process

The Township engages in a thorough strategic planning process on a biennial basis. The strategic planning process was used prior to the initiation of the FY 08 budget process. Over a period of several board meetings the Board

discussed priorities and challenges for the coming year. The resulting Mission, Goals and Objectives were used to provide direction to staff in preparation of FY 08 budget. For the first time during the strategic planning process, the Board identified two strategic directions as priority directions: Community Needs and Communications. Community Needs focuses on identifying and assessing needs in the community with a focus on social services. Communications focuses on improving Township communications to ensure the ready availability of information about Township programs and services or outside services. The remaining strategic directions are: Collaboration, Financial Stability, Services Quality and Board leadership.

Other Planning Processes

There are a number of planning processes that the Township engages in annually. The plans that result from the planning processes have a significant impact on the current and future budgets. By engaging in the various planning processes both staff and the Township Board have the information needed to manage resources efficiently and minimize debt service.

A complete list of the planning processes is found in the Budget Overview section of this budget document and a matrix of the planning processes is shown. The matrix includes the plan, the type of planning process, a description of the process and a brief statement on the impact on the budget. Plans are either annual, short range (1-3 years), mid range (3-5 years) or long range (5-10 years). Each plan is developed and reviewed annually. The plans include:

- Strategic Plan
- Operating Budget Plan
- Capital Projects Plan
- Building Maintenance Plan
- Vehicle and Equipment Replacement Plan
- Technology Plan
- Grounds Maintenance Plan

Budget Overview

The FY 08 Township budget is not significantly different from prior budgets. The major revenue source for the Township has always been property taxes. The amount of property taxes collected does not change dramatically from year to year. The amount of property tax collected is limited by the Property Tax Limitation Law (PTELL). 35 ILCS 200/18-185 PTELL limits the increase in property tax that the Township may levy to 5% or the percentage increase in the Consumer Price Index during the 12 month calendar year preceding the levy year, whichever is less. A higher property tax may be levied if the community experiences new construction, mergers or consolidations or voters approve a higher rate by referendum. The other revenue sources are use of money and property, intergovernmental, charges for services and miscellaneous. These revenue sources did not

change significantly in FY 08 and there are no new significant revenue sources. There is a difference in presentation of revenues in the FY 08 budget from prior budgets. In prior Community Mental Health budgets, if expenditures exceeded revenues and existing funds were available in the fund balance to meet expenditures, the amount intended to be used to meet expenditures from the fund balance was shown as Use of Prior Year funds. This presentation was only used in the Community Mental Health budgets and caused confusion when reviewing summary revenue data, especially when reviewing historical data. Therefore, only new revenues will be shown in the revenue information sections consistently for all funds. Any difference in revenue and expenditures will be explained in the narrative section of the budget.

Expenditures for FY 08 are not significantly different from FY 07. The distribution of expenditures among the expenditure categories of personnel services, fringe benefits, operating costs and services, external contracts and programs, capital outlay and other charges changed only slightly. Once again there has been one change in presentation in the FY 08 budget compared to prior budgets. In prior budgets Capital Outlay was included within the General Government expenditures. In the FY 08 budget, Capital Outlay has been segregated and is presented similar to a department. This presentation more accurately reflects the unique quality of expenditures for capital outlay. Expenditures for capital outlay are unusually large expenditures that typically benefit the Town Fund generally rather than a single department. In FY 07 \$175,000 was budgeted for capital renovations and \$150,000 for FY 08. The project started in FY 07 and will be completed in FY 08. The renovations consist of significant remodeling of the interior office space of the main Township facility. The comprehensive space study concluded in FY 03 indicated that the office space was not configured appropriately for contemporary Township programs and services and did not provide for modern safety and security precautions.

A budget summary for FY 08 is included with this budget transmittal letter, which shows revenues by source and expenditures by category.

Budgeted revenues for FY 08 are 7% higher than estimated actual revenues for FY 07. The biggest increase is in property taxes. The Township prepares a "balloon levy" which is a levy in excess of the allowable amount under PTELL based on the estimated total assessed value of property in the community. If the total assessed value of the property increases during the tax year because of new construction or reduction in the size of the Tax Increment Financing District (TIF) the Township will receive property taxes based on the new total for assessed property in the community. New property is not subject to tax caps the first year it is included in the tax base. If the tax levy exceeds the allowable amount after all allowances are made, the Cook County Assessor will reduce the levy to comply with PTELL.

Township budgeted expenditures for FY 08 are slightly more than budgeted expenditures for FY 07. There were no significant changes in any of the Township funds.

Significant Non-routine Capital Expenditures

During FY 08 one significant non-routine capital projects is planned for Town Fund. The project is the remaining remodeling for the Township building located at 105 South Oak Park Avenue.

Debt Management

The Local Government Debt Limitation Act 50 ILCS 405/1 (the Act) governs the debt limit of the Township. The Act sets the limit of debt for Oak Park Township, including existing indebtedness, at 2.875% on the value of the taxable property within the Township. The value of taxable property is ascertained by the last assessment for state and county taxes. The latest assessed value of property within Oak Park Township is for tax year 2005 and is \$1,481,423.309. Therefore, the legal limit of debt for the Township is \$42,590,920.

The only current long-term debt owed by the Township is for compensated absences (\$75,326). There are no plans at this time to incur any additional debt for capital renovations. Capital renovations will be paid for with existing fund balance reserves and will result in a decrease in the fund balance for the Town Fund and the Community Mental Health Fund.

Five-Year Budget Projections

The FY 08 budget contains five-year budget projections for all Township funds; Town, General Assistance and Community Mental Health. The purpose of the five-year budget projection is to enable the Township Board and management to focus on long-term financial stability. The five-year projection includes FY 08 through FY 12, ending March 31, 2012.

Developing long-term financial projections for government agencies can be risky. Projections are a guide rather than a definite statement of future revenues and expenditures. A number of outside forces, that cannot be anticipated or forecasted, impacts government budgets and especially long-term projections. Many of these factors are outside Township control; for example, state and federal revenues or mandates; changes in the national, regional or local economy; fluctuations in the prices of products or services purchased by the Township; and unanticipated emergencies or changes in service level priorities, as well as capital projects.

The revenues and operating expenses for fiscal years ending March 31, 2008 through March 31, 2012, are projected using the FY 08 budget as the base for the calculations. Every revenue and expenditure account is projected and included. The assumptions and projections for the major revenue sources and expenditures are set forth in the budget section titled Five-Year Budget Projections.

A qualitative forecasting method known as “naive forecasting” was utilized to project revenues. The naive forecasting method is best suited for revenue sources where a general

stability from year-to-year can be assumed; a typical time period can be easily determined; the historical relationship between budgeted and actual revenue remains constant for the period being forecast; and all major factors affecting the revenue source have been included in the forecast.

Performance Measurements

The Township began the process of identifying performance measurements for all Township programs and services several years ago. A Performance Measurements Policy was adopted by the Township Board on January 11, 2006. The organization and Township Board have been slow to move to adopting and implementing meaningful measurable indicators of program success. Increased emphasis will be placed on performance measures in the upcoming and subsequent budget cycles.

Future

Because the major source of revenue for the Township is property tax and the amount that can be raised through property tax is limited by tax caps, it will be a challenge to keep the increase in expenditures to the same level as the increase in revenues. Efficiencies, such as sharing more of health insurance costs with employees, will help, along with carefully managing discretionary expenditures.

The continuing challenge will be to not let increasing personnel costs, in a time of limited revenue increases, reduce the important funding the Township provides to community mental health agencies and agencies providing services and programs for youth at-risk of anti-social and personally destructive behavior.

Conclusion

The FY 08 budget prepares the Township for the coming year and the future. It is through the dedication and hard work of all Township employees and the Board of Trustees that the Township is in good financial condition and has a framework to go forward into the future prepared to meet challenges that lay ahead.

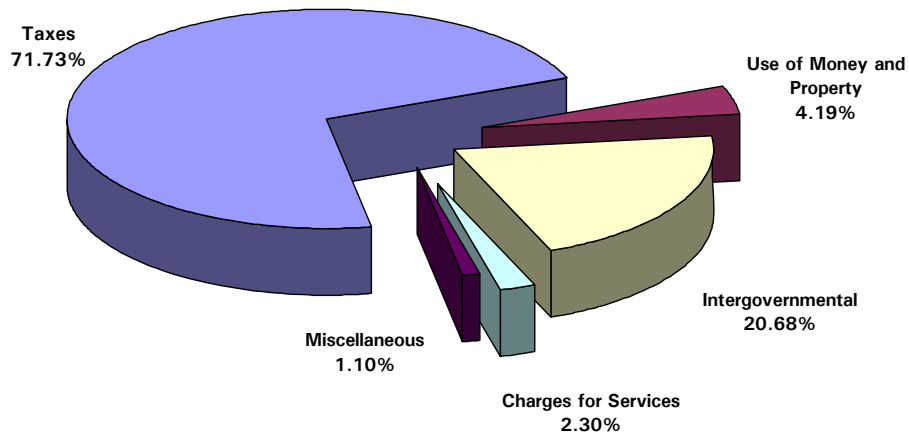
Sincerely,

Sharon Hammer
Oak Park Township Manager

BUDGET SUMMARY FY 08

REVENUES

TAXES:		CHARGES FOR SERVICES	
Property Taxes	3,527,350	Rent	3,225
Personal Property Replacement Tax	85,000	Program Income	100,950
Tax Increment Financing (TIF)	<u>31,000</u>	Charges to Departments	<u>12,530</u>
TOTAL Taxes	3,643,350	TOTAL Charges for Services	116,705
USE OF MONEY AND PROPERTY		MISCELLANEOUS	
Interest	<u>213,000</u>	Miscellaneous	<u>55,850</u>
TOTAL Use of Money and Property	213,000	TOTAL Miscellaneous	55,850
INTERGOVERNMENTAL		TOTAL ALL REVENUE	
Local	393,123		<u>\$5,079,474</u>
State and Federal	<u>657,446</u>		
TOTAL Intergovernmental	1,050,569		



EXPENDITURES

Personnel Services	1,848,535	Capital Outlay	169,905
Fringe Benefits	617,590	Other Charges	312,000
Operating Costs and Services	1,183,185	TOTAL ALL EXPENDITURES	<u>\$5,503,560</u>
External Contracts and Programs	1,372,345		

