

3 YEAR BUDGET FORECAST

City of Fairview Heights, IL



FISCAL YEARS: 2015 - 2016

2016 - 2017

2017 - 2018

Report Date: 5/30/2014

Mayor Mitchell, Elected Officials, Staff, and Residents of Fairview Heights:

It's my pleasure to present the "City of Fairview Heights' Three Year Budget Forecast" for the upcoming Fiscal Years ending in 2016, 2017, and 2018. The report is created in accordance with City Ordinance #1205-04, which calls for a three-year budget projection in the same format as the current budget. This report is a supplement to the recently adopted annual budget for Fiscal Year 2014 - 2015 (FY '15), and utilizes the same data therein as the baseline for this report. Being a forecast report, the information within is not solely meant to depict what the actual results will be. Rather, this report is designed to display where the City's budget challenges are, identify the driving forces behind those challenges, and discuss what fiscal decisions lie ahead. The following pages include data, charts, and narratives in an attempt to do as such.

Based on a combination of stagnant revenues and rising expenditures, the City is in a period of relying on cash reserves to maintain current service levels. Declining sales tax receipts are a major concern for the City. Currently sales tax accounts for over 60% of total City revenues, thus making even the slightest decline problematic. On a cash basis, Fiscal Year End 2014 (FYE '14) receipts of the 1% Municipal Sales Tax – the best indicator of retail activity in the City – are the lowest in the past 10 years. The General Fund, as the primary operations fund of the City, is particularly challenged in the upcoming years. In an attempt to help sales tax collections, the City has been making a concerted effort recently to redevelop and re-invest in the City's retail presence.

Additionally, the Home Rule Tax Fund – which accounts for the City's capital improvements plan (CIP) - is currently planned to be funded almost entirely by current revenues and cash reserves. In the upcoming years, the City Council will need to determine a course of action for funding the plan. Options may include modifying timelines of the CIP project list, exploring financing options, or changing how current assets are allocated within the budget. Similarly, the TIF #3 Fund is in need of a financing plan for the proposed \$5.2 million dollar Streetscape Project.

However, as discussed within this report, options exist for the City to successfully address these concerns. A continuing proactive approach towards managing the City's finances is essential in successfully navigating the fiscal challenges of local government. Recent efforts towards building a sustainable financial framework has given the City insight into our long-range financial challenges, and is helping shape decision making. Further strategic planning, more robust analysis, and additional policy adoption is needed in order to further enhance our fiscal decision making.

I present the "City of Fairview Heights' Three Year Budget Forecast", and encourage anyone with questions to contact the Finance Department for additional information.

Respectfully submitted,

Scott E. Borrer
Director of Finance

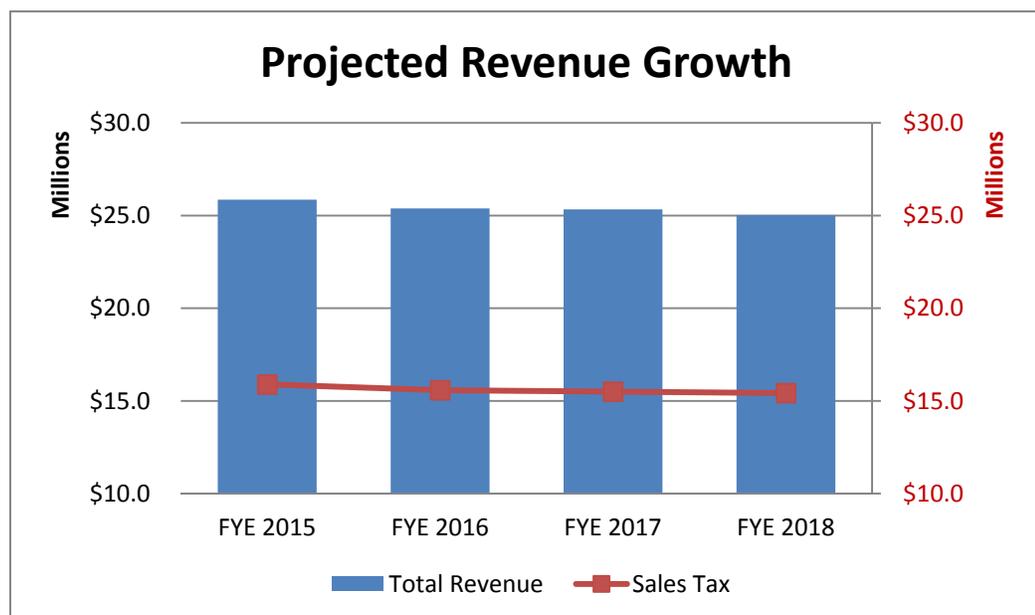
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Revenue Forecast

The City of Fairview Heights is a fiscally unique municipality. The City does not operate an enterprise (i.e. water/sewer operation) commonly seen in municipalities. Additionally, we are one of the few remaining cities in Illinois that has chosen to not adopt a property tax levy. A large retail presence has allowed the City Council to rely heavily on sales tax revenue to fund operations, capital projects, and pension obligations. This year sales tax represents over 60% of total revenue.

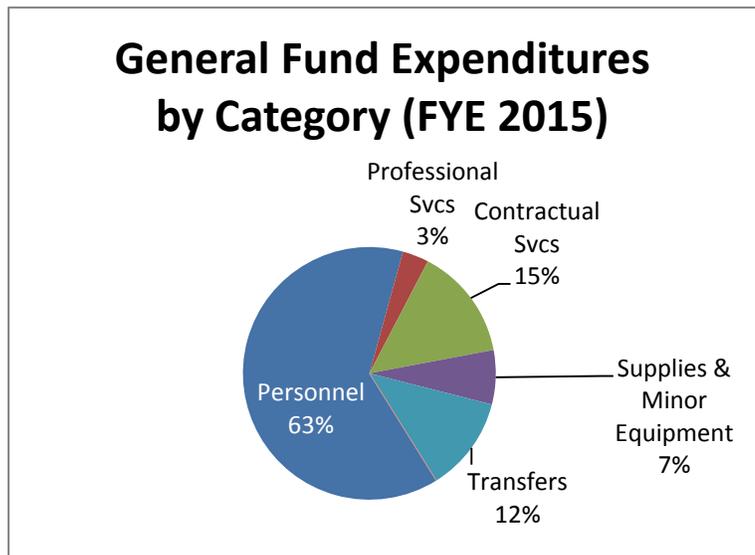
There are several threats to the City's ability to sustain this revenue model on a long-term basis. The growth in online retail activity has undoubtedly affected the ability for the City to realize growth in sales tax collection. In addition, there has been an increase in competition from other local municipalities for retail development. Another threat to local government revenue continues to reside with the State of Illinois. Income tax distributions have routinely been delayed an average of three months in recent years. This roughly equates to a range of \$350,000 - \$500,000 due the City at any time in delayed payments. While the State has not yet reduced the allocations of state shared revenues, it is routinely discussed.

Conservative budgeting practice calls for revenue forecasts to be slightly understated. The projections within this report do not anticipate any new revenue sources, or changes in the current tax rates. Based on these factors, revenues during the next three years are projected to decrease a total of 3.2%, driven by a reduction in sales tax of 2.9%. There are several factors that may help the City realize larger growth than currently anticipated. These include the continued improvement of the overall economy, redevelopment of existing retail sites, and the probability of Congressional action regarding online retail sales transactions.



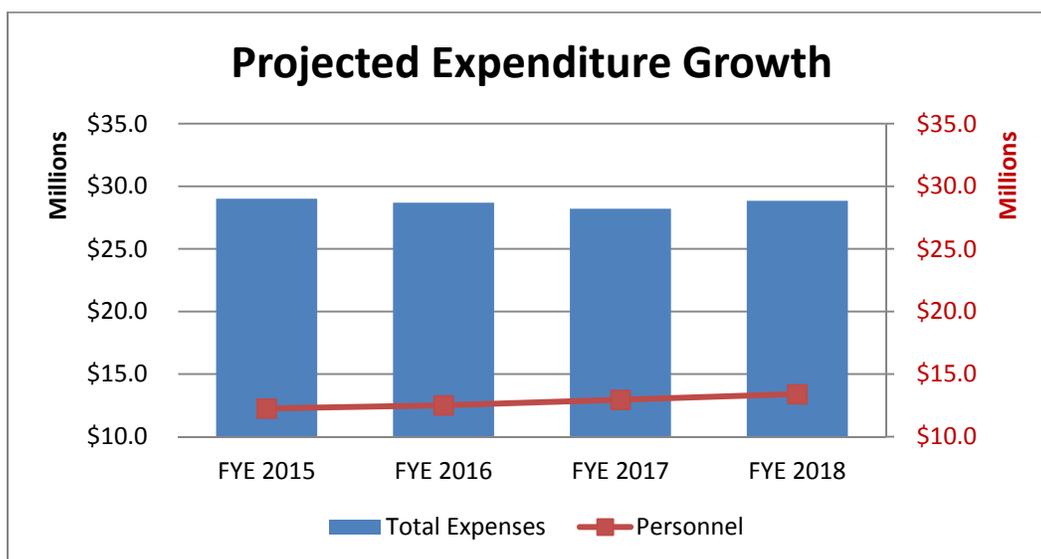
Expenditure Forecast

Conservative budgeting practice calls for expense forecasts to be slightly overstated. The expenditure projections within this report is based on historical trends and known amounts that can be ascertained from items such as debt schedules or contractual obligations. These projections do not account for any potential new programs or changes in staffing levels in the future. A majority of operational expenses – including personnel – is accounted for in the



General Fund. Capital and Debt expenses are accounted for in other funds such as the Food & Beverage Fund and the Hotel / Motel Tax Fund. Thus, personnel expenditures for fiscal year end (FYE) 2015 equate to approximately 63% of general fund expenses.

General Fund transfers to other funds are conducted for items typically funded by a property tax levy, such as contributions to the Police Pension Fund and the Library Fund. Other transfer examples include funding the Capital Reserve Fund and penalty contributions to the tax incremental financing (TIF) funds due to the lack of a property tax levy. Transfers from the General Fund approach \$2.0 million annually (see “Fund Balances” section).



During the course of this three year budget period total expenses are projected to decrease from \$29.0 to \$28.8 million. Primarily, this is due to decreasing debt payments beginning in FYE 2017. As the following table illustrates, the FH 2005 Bonds paid from the Food & Beverage Tax Bond Fund are nearing maturity. This reduction will provide the City some options.

CAPITAL DEBT					
FYE	FH 2005 BOND		FH 2010 BOND		TOTALS
2015	\$	1,022,632	\$	305,799	\$ 1,328,431
2016		1,026,233		305,444	1,331,677
2017		646,558		304,984	951,542
2018		258,870		309,419	568,289
2019		259,750		306,169	565,919
2020		-		302,769	302,769
2021		-		304,219	304,219
	\$	3,214,043	\$	2,138,803	\$ 5,352,846

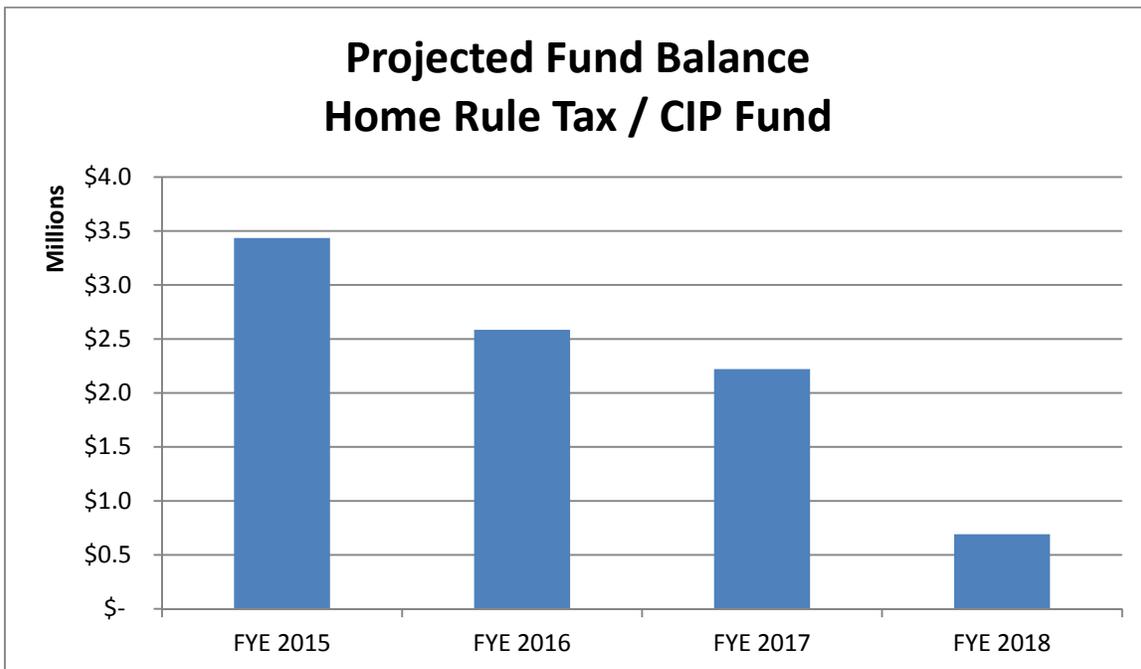
One of the major fiscal decisions to be made by City leaders within the next few years will be how to utilize this tax upon the retirement of the bonds. A full range of options will exist, ranging from issuing new bonds to eliminating the tax all together. The establishment of a comprehensive strategic plan is essential in helping City leaders approach decisions on matters such as this.

Fund Balances

Per the “Fiscal & Budgetary Guidelines Policy”, the City will “maintain an unreserved fund balance in the General Fund to support operations for a period of at least three months (25%). This will be calculated based on the total General Fund expenditures less capital outlay and transfers.” Based on this report’s projections, the General Fund balance ratio is estimated to decrease to 4.4% upon the conclusion of FYE 2018, which equates to less than one month of cash reserve for the General Fund. The following table depicts the anticipated change in the General Fund balance ratio during the three-year budget period.

PROJECTED GENERAL FUND BALANCE RATIO					
	Operating Expenses	Less: Transfers	Net Operating Expenses	FYE Fund Balance	Fund Balance Ratio
FYE 2015	\$ 16,360,101	\$ 1,987,508	\$ 14,372,593	\$ 3,307,832	23.0%
FYE 2016	\$ 16,689,224	\$ 1,985,278	\$ 14,703,946	\$ 2,754,339	18.7%
FYE 2017	\$ 17,140,753	\$ 2,040,005	\$ 15,100,748	\$ 1,790,094	11.9%
FYE 2018	\$ 17,592,576	\$ 2,095,529	\$ 15,497,047	\$ 685,677	4.4%

Another area of fund balance concern is within the Home Rule Tax Fund, which accounts for the City’s capital improvement plan (CIP). However, the projected deficit is based on the funding plan currently in place as opposed to a potential structural deficit as seen within the general fund. The following chart projects a fund balance of less than \$1 million at FYE 2018. Actual events such as project changes, grant acquisition, or capital financing would alter this scenario. While a “Pay-as-you-Go” approach is perfectly acceptable, that approach will require City leaders to weigh the urgency of the plan as it currently crafted with available dollars. The aforementioned retirement of bond debt might be an option in funding the CIP plan, either via capital financing or a continuation of using cash.



Summary

In summary, the 3-Year Budget Report identifies three primary points:

1. *The long-term sustainability of the City's revenue model is threatened.*

The City's ability to remain heavily dependent on sales tax is based on several factors, many of which are beyond the City's control. The continuation of decreasing collections will further strain our budget.

2. *Based on a conservative budgeting approach, the General Fund will remain a challenge in the upcoming fiscal years.*

The projected decline in the fund balance ratio is a concern. The projection warrants a close examination of the City's operations, from the cost of services provided to the manner in which City resources are acquired and utilized to fund those services.

3. *Financial Options are on the horizon.*

Retirement of bonds will soon allow the City to explore uses on dollars currently utilized towards debt. Increasing operating costs and a robust capital plan, when balanced with decreasing sales tax, is challenging the City. The City is in need of a strategic plan in order to help decide the future use of these taxes.

The City of Fairview Heights has been fortunate for many years to rely on sales tax from the retail industry to support the operations of the City. However, the current retail environment is challenging our approach. General Fund revenues over the three year period are projected to increase less than 1%, with expenses increasing approximately 7.5%. This is obviously unsustainable. The ability to maintain the current fiscal model will be dependent on both economic development/redevelopment and program cost management. The City will need to continue a pro-active approach and promote strategic fiscal planning to ensure the long-term fiscal health of the City of Fairview Heights.

PROJECTED FUND BALANCES

City of Fairview Heights, IL.

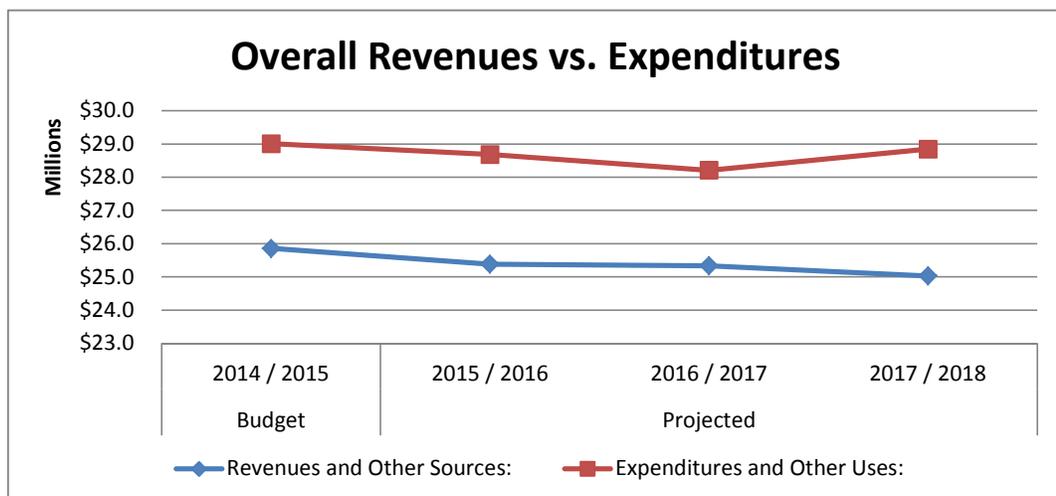
3 Year Budget Projection

	<i>PROJECTED</i>			
	FYE 2015	FYE 2016	FYE 2017	FYE 2018
General Fund	\$ 3,307,832	\$ 2,754,339	\$ 1,790,094	\$ 685,677
Motor Fuel Tax Fund	675,095	\$ 374,015	\$ 61,697	\$ (262,099)
Food & Beverage Fund	1,465,185	\$ 939,790	\$ 794,183	\$ 1,036,421
Hotel / Motel Tax Fund	967,044	\$ 947,799	\$ 976,064	\$ 997,320
Home Rule Tax Fund (CIP)	3,435,415	\$ 2,585,492	\$ 2,220,584	\$ 692,056
Capital Reserve Fund	604,947	\$ 716,207	\$ 827,530	\$ 938,919
Police Pension Fund (a)	10,900	\$ 73,430	\$ 85,152	\$ 46,279
Federal Police Escrow Fund	331,840	\$ 331,840	\$ 331,840	\$ 331,840
Library Fund	25,682	\$ 22,378	\$ 13,997	\$ 452
Tax Rebates Fund	88,043	\$ 54,266	\$ 16,119	\$ 23,790
TIF #1 - Bunkum Road	186,621	\$ 134,361	\$ 78,151	\$ 21,889
TIF #2 - Shoppes @ St. Clair	8,436	\$ 8,541	\$ 8,651	\$ 8,767
TIF #3 - Lincoln Trail	481,489	\$ (658,236)	\$ (1,798,359)	\$ (2,934,556)
Police Youth Fund	3,808	\$ 3,748	\$ 3,627	\$ 3,443
Parks Programs Fund	33,549	\$ 36,782	\$ 38,804	\$ 39,590
Local Police Escrow Fund	-	\$ -	\$ -	\$ -
	\$ 11,625,886	\$ 8,324,752	\$ 5,448,134	\$ 1,629,789

(a) Above totals do not include securities managed by the Police Pension Board.

OVERALL SUMMARY
REVENUES & EXPENDITURES - BY TYPE
 CITY OF FAIRVIEW HEIGHTS, IL
3 Year Budget Projection

	Budget 2014 / 2015	2015 / 2016	Projected	
			2016 / 2017	2017 / 2018
Revenues and Other Sources:				
Sales Tax	\$ 15,888,000	\$ 15,572,790	\$ 15,496,214	\$ 15,420,033
Other Taxes	3,575,000	3,559,350	3,558,010	3,562,848
Licenses	70,000	70,000	70,000	70,000
Permits	160,300	160,300	160,300	160,300
Intergovernmental	3,085,900	3,067,276	3,042,340	2,749,423
Fees / Fines	682,500	730,050	730,103	730,158
Transfers	1,993,139	1,985,278	2,040,006	2,095,529
Rents and Leases	181,000	11,000	11,000	11,000
Charges for Service	191,750	194,500	194,500	194,500
Miscellaneous	29,250	30,563	31,941	33,388
Total	25,856,839	25,381,107	25,334,412	25,027,178
Expenditures and Other Uses:				
Personnel Expenses	12,248,589	12,501,431	12,945,625	13,398,344
Professional Services	598,680	595,380	616,110	635,855
Contractual Services	4,880,607	4,903,247	4,911,405	4,660,153
Supplies & Minor Equipment	1,590,325	1,582,805	1,608,283	1,625,243
Capital	6,239,050	5,647,400	5,053,000	5,777,000
Debt Payments	1,463,450	1,466,700	1,036,600	653,400
Transfers	1,987,508	1,985,278	2,040,006	2,095,529
Total	\$ 29,008,209	\$ 28,682,241	\$ 28,211,029	\$ 28,845,524



REVENUES & OTHER SOURCES SUMMARY - ALL FUNDS

City of Fairview Heights, IL
3 Year Budget Projection

	Budget	<i>Projected</i>		
	2014 / 2015	2015 / 2016	2016 / 2017	2017 / 2018
Revenues and Other Sources:				
General Fund	\$ 16,427,481	\$ 16,135,733	\$ 16,176,508	\$ 16,488,158
Police Pension Fund	1,300,100	1,300,105	1,350,110	1,400,116
Library Fund	503,008	508,038	513,118	518,250
Police Youth Fund	3,000	3,000	3,000	3,000
Parks Programs Fund	63,100	65,855	65,860	65,866
Subtotal - Operating Funds	18,296,689	18,012,731	18,108,597	18,475,390
Food & Beverage Fund	503,100	503,255	503,418	503,589
Hotel / Motel Tax Fund	501,800	491,890	491,985	492,084
Motor Fuel Tax Fund	402,350	404,452	406,569	408,701
Home Rule Tax Fund (CIP)	4,108,250	3,952,877	3,845,940	3,469,117
Capital Reserve Fund	111,200	111,260	111,323	111,389
Federal Police Escrow Fund	-	-	-	-
Tax Rebates Fund	1,161,850	1,141,223	1,106,853	802,671
TIF #1 - Bunkum Road	198,500	194,565	190,710	190,738
TIF #2 - Shoppes @ St. Clair	350,100	350,105	350,110	350,116
TIF #3 - Lincoln Trail	223,000	218,750	218,908	223,385
Local Police Escrow Fund	-	-	-	-
Total - All Funds	\$ 25,856,839	\$ 25,381,107	\$ 25,334,412	\$ 25,027,178

NOTE: The summaries above represent total budgeted revenues, expenditures, and transfers between City funds.

EXPENDITURES & OTHER USES SUMMARY - ALL FUNDS

City of Fairview Heights, IL

3 Year Budget Projection

	Budget 2014 / 2015	2015 / 2016	<i>Projected</i>	
			2016 / 2017	2017 / 2018
Expenditures & Other Uses:				
General Fund	\$ 16,360,101	\$ 16,689,225	\$ 17,140,753	\$ 17,592,576
Police Pension Fund	1,337,000	1,237,575	1,338,388	1,438,989
Library Fund	499,629	511,342	521,500	531,794
Police Youth Fund	3,000	3,060	3,121	3,184
Parks Programs Fund	61,375	62,622	63,839	65,080
Subtotal - Operating Funds	18,261,105	18,503,824	19,067,600	19,631,622
Food & Beverage Fund	1,025,550	1,028,650	649,025	261,350
Hotel / Motel Tax Fund	509,500	511,135	463,719	470,829
Motor Fuel Tax Fund	691,404	705,532	718,886	732,496
Home Rule Tax Fund (CIP)	5,633,050	4,802,800	4,210,848	4,997,645
Capital Reserve Fund	-	-	-	-
Federal Police Escrow Fund	-	-	-	-
Tax Rebates Fund	1,175,000	1,175,000	1,145,000	795,000
TIF #1 - Bunkum Road	246,700	246,825	246,920	247,000
TIF #2 - Shoppes @ St. Clair	350,000	350,000	350,000	350,000
TIF #3 - Lincoln Trail	1,115,900	1,358,475	1,359,031	1,359,582
Local Police Escrow Fund	-	-	-	-
Total - All Funds	\$ 29,008,209	\$ 28,682,241	\$ 28,211,029	\$ 28,845,524

NOTE: The summaries above represent total budgeted revenues, expenditures, and transfers between City funds.



CAPITAL IMPROVEMENT PLAN

Project Summary

CIP #	PROJECT	DEPARTMENT	FISCAL YEAR					TOTALS
			2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	
PR-01	Moody Park Pavilions	Parks & Rec	112,000	125,000	50,000	-	-	287,000
PR-02	Creative Playground	Parks & Rec	377,000	-	-	-	-	377,000
PR-03	Field Updates	Parks & Rec	42,250	-	-	-	-	42,250
PR-04	Parks Shed Renovation	Parks & Rec	40,000	80,000	-	-	-	120,000
PR-08	Christmas Decorations	Parks & Rec	15,000	15,000	15,000	15,000	15,000	75,000
PR-09	Pedestrian & Bicycle Mobility	Parks & Rec	-	-	-	200,000	500,000	700,000
PR-11	Moody Park Fitness Trail Upgrade	Parks & Rec	-	-	-	200,000	200,000	400,000
PR-12	Playground Equipment Replacement Program	Parks & Rec	20,000	-	-	45,000	-	65,000
PW-01	Vehicle / Equipment Replacement Program	All Departments	416,000	440,000	418,000	442,000	403,000	2,119,000
PW-02	Storm Drainage Program	PW - Engineering	230,000	485,000	180,000	235,000	235,000	1,365,000
PW-03	Sidewalks Program	PW - Engineering	150,000	75,000	75,000	75,000	75,000	450,000
PW-04	Pleasant Ridge Bridge / Road	PW - Engineering	-	290,000	80,000	1,800,000	-	2,170,000
PW-06	South Ruby Lane	PW - Engineering	40,000	740,000	-	-	-	780,000
PW-09	Asphalt Overlay Program	PW - Engineering	175,000	175,000	200,000	200,000	200,000	950,000
PW-10	I-64 / RT 159 Interchange Enhancement	PW - Engineering	220,000	-	-	-	-	220,000
PW-12	Municipal Complex Renovations / Maintenance	PW - Muni Complex	167,400	297,400	210,000	195,000	20,000	889,800
PW-14	Old Caseyville Road Improvement	PW - Engineering	650,000	-	-	-	-	650,000
PW-15	Perrin Road Improvements	PW - Engineering	605,000	415,000	-	-	-	1,020,000
PW-16	Richmond Drive Bridge	PW - Engineering	470,000	-	-	-	-	470,000
PW-17	Greenridge Heights Road Reconstruction	PW - Engineering	615,000	-	-	-	-	615,000
PW-18	Kassing Avenue Reconstruction	PW - Engineering	20,000	490,000	-	-	-	510,000
PW-19	Wilshire Drive Reconstruction	PW - Engineering	90,000	110,000	1,100,000	-	-	1,300,000
PW-20	Mark Drive Reconstruction	PW - Engineering	40,000	90,000	740,000	-	-	870,000
PW-21	Bonita Boulevard Reconstruction	PW - Engineering	-	75,000	80,000	850,000	-	1,005,000



CAPITAL IMPROVEMENT PLAN

Project Summary

CIP #	PROJECT	DEPARTMENT	FISCAL YEAR					TOTALS
			2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	
PW-22	2nd Avenue Reconstruction	PW - Engineering	-	-	85,000	70,000	750,000	905,000
PW-23	Library Renovations / Maintenance	PW - Muni Complex	105,000	55,000	60,000	-	165,000	385,000
PW-25	Vehicle Maintenance - Garage Renovations	PW - Muni Complex	35,000	-	-	-	-	35,000
PW-28	Business and Industrial Park	PW - Engineering	-	500,000	-	-	-	500,000
PW-30	Lincoln Trail TIF Streetscape	Land Use	783,000	1,100,000	1,100,000	1,100,000	1,100,000	5,183,000
PW-31	Joseph Drive Overlay	PW - Engineering	65,000	20,000	500,000	-	-	585,000
PW-32	Demolition Program	Land Use	45,000	45,000	45,000	45,000	45,000	225,000
PW-33	Elvira Drive Reconstruction	PW - Engineering	-	-	-	125,000	750,000	875,000
PW-34	Mt. Vernon Drive Reconstruction	PW - Engineering	-	-	-	85,000	550,000	635,000
ADM-01	Inspector Software	Land Use	50,000	-	-	-	-	50,000
ADM-02	Video Monitor System	Police	125,000	50,000	50,000	50,000	-	275,000
ADM-03	MS Enterprise Agreements	Admin / IT	31,400	-	-	-	-	31,400
ADM-04	Facility Security / Access Control	Admin / IT	110,000	-	-	-	-	110,000
ADM-05	VOIP Phone System	Admin / IT	30,000	-	-	-	-	30,000
ADM-06	Enterprise Zone / TIF District Creation	Admin / IT	150,000	-	-	-	-	150,000
POL-02	Command Cars IT Equipment Replacement	Police	90,000	45,000	60,000	-	90,000	285,000
POL-03	Command Center Update	Police	120,000	-	-	-	-	120,000
POL-04	West End Police Substation	Police	-	-	-	100,000	-	100,000
POL-05	Traffic Calming and Safety Program	Police	50,000	50,000	50,000	50,000	50,000	250,000
TOTALS			\$ 6,284,050	\$ 5,767,400	\$ 5,098,000	\$ 5,882,000	\$ 5,148,000	\$ 28,179,450

Department Summary and Descriptions

City Clerk

The City Clerk's Office is the official record keeper for the City and is responsible for maintaining all City records. In addition, the Clerk's Office prepares, maintains, and files all City records, ordinances, resolutions, and official documents. The City Clerk is an elected position.

Mayor & City Council

The Mayor and City Council members are elected officials that establish the policies, goals, and objectives of the City. The City operates under a strong council-weak Mayor form of government. The City is comprised of five wards, each represented by two aldermen who serve alternating four-year terms. The Mayor serves a four year term, and is also the City's Liquor Commissioner.

Finance Department

The Finance Department is responsible for the sound financial management and integrity of the finance system in the administration, development, and monitoring of the operating and capital budgets. Tasks include investments, debt management, monthly reporting, payroll, and accounts payable. The department includes an elected Treasurer who works in conjunction with the full-time Finance Director.

Police Department

The Police Department is tasked with the public safety of Fairview Heights citizens, visitors, and employees. It is the largest department in the city, in terms of both personnel and operating budget. The department is comprised of two divisions (operations and support), and includes both sworn and civilian personnel. In addition to traditional tasks such as patrol and investigations, the department coordinates a number of community programs such as a Crime-Free Multi-Housing and DARE.

Administration

The Administration Department supports all City operations. Positions within the department include the City Administrator, Economic Development Director, and IT staff. The City Administrator is a professionally trained manager, tasked with overseeing the daily operations of City staff. The administrator reports directly to the Mayor, and is responsible for achieving the strategic goals and objectives of the Mayor & City Council as set forth through policy directive.

Public Works – Engineering

PW Engineering is charged with the responsibility maintaining and upgrading the City's streets. The department maintains nearly 90 miles of roadway within the City. Tasks include snow removal, bulk trash pickup, grass cutting, concrete patching, and maintaining underground storm water drainage.

Public Works – Vehicle Maintenance

An internal service division of Public Works, the department is tasked with the responsibility assuring that all City vehicles and equipment are operating properly. The department maintains a fleet of approximately 80 vehicles and 30 pieces of large equipment.

Public Works – Municipal Complex

The Municipal Complex division of Public Works is responsible for the electrical, mechanical, and general maintenance of City facilities. These include City Hall, the Police Department, and the Library.

Parks & Recreation

The goal of the Parks & Recreation Department is to provide a friendly, clean and wholesome atmosphere for residents and visitors to participate and enjoy their recreation time. Programs utilize city parks and other facilities in the community to provide a variety of activities for people of all ages.

Land Use & Development

Land Use & Development is responsible for the planning and development functions of the city, as well as building code permitting and enforcement. The planning function entails the formulation and implementation of the City's Comprehensive Plan and Development Code, which includes zoning, land use and subdivision management regulations. Other tasks include animal control, building inspections, and code enforcement.

Library

The Fairview Heights Public Library is a municipal library that provides services to residents and non-residents alike. The library is overseen by a nine member board of trustees appointed by the Mayor with the approval of the City Council. As a municipal library, fiscal oversight of library operations is maintained by the board of trustees.

Emergency Services Disaster Agency (ESDA)

ESDA is responsible for disaster preparedness and the planning, mitigation, and response of such events. The City of Fairview Heights is only one of two accredited ESDA agencies in St. Clair County, and the only local level accredited program. The department is comprised of employees throughout the City, and receives various forms of funding to support the agency.

Fund Descriptions and Fund Structure

The City of Fairview Heights utilizes a fund accounting system. In such a system the emphasis is placed on accountability rather than profitability, as typically seen in the private sector. Funds can be created for various reasons. For instance, certain revenues can be required to be accounted for separately based on either state law (MFT Fund) or local ordinances (Food & Beverage Fund). All funds are appropriated via an adopted budget ordinance.

The City is introducing a new fund with the FY 2014-2015 budget. Fund 016 – Local Police Escrow has been created in order to better reflect the accounting guidelines of revenue the City receives in relation to police activities such as drug seizures. Previously, all such activity has been accounted for within Fund 008. Going forward all federally awarded escrow dollars will be accounted for within Fund 008 and locally awarded escrow dollars will be accounted for within Fund 016.

General Fund (001)

The General Fund is the primary operating fund of the City. It accounts for all general government activities not accounted for in other funds. A majority of department operations such as personnel costs, contractual obligations, and supplies are accounted for within the General Fund. The General Fund also supports the Police Pension Fund and the Library Fund via transfers - in lieu of levying a property tax.

Motor Fuel Tax Fund (002)

The Motor Fuel Tax (MFT) program is administered by the State of Illinois. The City receives a per capita share of the revenue on a monthly basis. The City's MFT revenue is required to be accounted for separately per state statute, and is restricted towards expenditures related to road maintenance.

Food & Beverage Tax Fund (003)

A debt service/special revenue fund that accounts for a local tax on all food and beverages prepared for immediate consumption. The tax supports the repayment of a General Obligation Bond originally issued in 2005 for the construction of a new police department building and some infrastructure projects. The property tax levy for repayment has traditionally been abated each year. In lieu of the property tax revenue, the City utilizes the Food & Beverage tax revenue towards the bond repayment. Excess funds support General Fund operations.

Hotel / Motel Tax Fund (004)

A debt service/special revenue fund dedicated to the accounting for local hotel/motel tax receipts received by the City. Receipts are primarily utilized towards the repayment of a bond used in the construction of a conference center. Excess funds (if any) are appropriated at the discretion of the City Council towards programs which promote tourism within the City, in accordance with state statutes.

Home Rule Tax (CIP) Fund (005)

The City's Home Rule Sales Tax was established in 2005. Per city ordinance, 45% of all receipts are to be utilized towards capital improvements. Thus, the fund supports the Capital Improvements Plan (CIP) of the City. The remaining 55% of receipts are allocated to the General Fund to support operations.

Capital Reserve Fund (006)

A reserve fund utilized towards saving for special purposes, future capital projects, and in meeting the City's cash reserve policy. Funds are transferred from the General Fund on an annual basis in accordance with the City's "Fiscal & Budgetary Guidelines Policy" (see appendix).

Police Pension Fund (007)

A fiduciary fund, dedicated towards the accounting of police pension activities. Fund oversight is the responsibility of an independent Police Pension Board, whose members are appointed by the Mayor. The City's contributions are funded by a General Fund transfer, in lieu of a property tax.

Federal Police Escrow Fund (008)

A special revenue fund whose revenues derive from police seizures and awarded by federal agencies. The funds are restricted towards the support of police supplies and activities. The Chief of Police serves as the administrator of the program in accordance with federal guidelines.

Library Fund (009)

A fund dedicated towards the activities of the Fairview Heights Municipal Library. Fund oversight is the responsibility of an independent Board of Trustees, whose members are appointed by the Mayor. The Library Board establishes the annual tax levy needed to support operations. In lieu of adopting the levy, the City Council has historically funded the library through a General Fund transfer.

Tax Rebates Fund (010)

A special revenue fund dedicated towards the accounting of any sales tax rebate agreements entered into by the City for economic development purposes. Sales tax revenues are allocated to the fund on a quarterly basis, based on data provided by the Illinois Department of Revenue. The funds are distributed based on any adopted agreements in place. See the "Debt Overview & Trends" within the "Executive Summary" section of the budget for details on current agreements.

TIF #1 – Bunkum Road (011)

A special revenue fund dedicated towards the accounting of the "Bunkum Road Tax Incremental Financing District". The TIF was established in 2003 to assist in the development of a new residential neighborhood and address public infrastructure needs.

TIF #2 – Shoppes @ St. Clair (012)

A special revenue fund dedicated towards the accounting of the “Shoppes @ St. Clair Tax Incremental Financing District”. The TIF was established in 2005 as part of a major redevelopment project within the City’s primary retail corridor.

TIF #3 – Lincoln Trail (013)

A special revenue fund dedicated towards the accounting of the “Lincoln Trail Tax Incremental Financing District”. The TIF was established in 2007 to assist in redevelopment of the Lincoln Trail retail corridor (aka Illinois State Route 50).

Police Youth Fund (014)

A special revenue fund dedicated towards annual youth programs sponsored by the Police Department and funded through community donations.

Parks Programs Fund (015)

A special revenue fund dedicated towards recreation programs administered by the Parks & Recreation Department. The fund is supported by user fees of program participants, and covers expenditures such as supplies and some part-time personnel.

Local Police Escrow Fund (016)

A special revenue fund whose revenues derive from police seizures and awarded by local agencies. The funds are restricted towards the support of police supplies and activities. The Chief of Police serves as the administrator of the program in accordance with program guidelines.