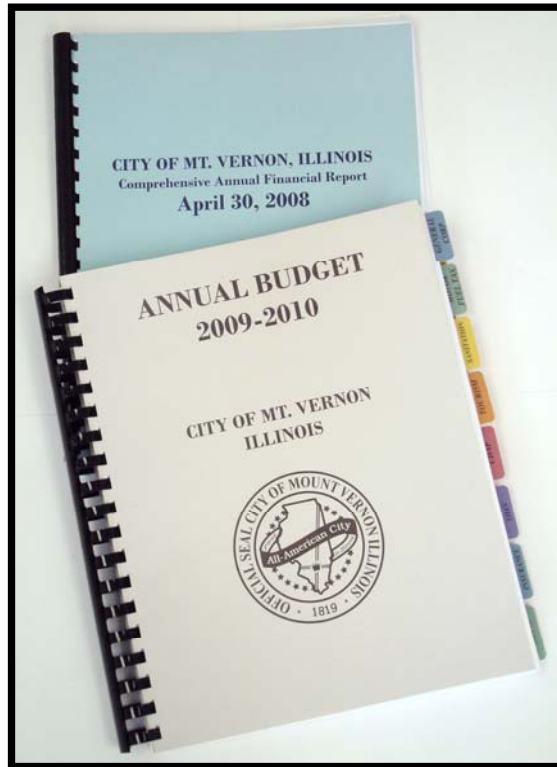


Chapter 8: *Financial Strategies*





Financial Strategies

INTRODUCTION

Before any sort of improvements can be done, it is important to take a look at the availability of funds to complete these desired projects. Comprehensive financial planning allows the City to respond effectively to change in the economic environment without detrimental impacts to existing services. Anticipation of changes in financial conditions and forecasting beyond the current year enable the City to project sustainable levels of service and to accelerate or delay new service implementations based on these changing conditions.

The Financial Strategies chapter contains a brief overview of the City of Mt. Vernon's revenues and expenditures and projected future revenues and expenditures. Also, included within this chapter is a brief narrative of the City's future financial expectations and future funding projections. The last portion of this chapter provides some examples of existing programs already in place by the City and/or county to help attract new residents and businesses to the area.

Revenue by Source - Governmental Activities (2008) (General Corporate & Special Revenue Funds - \$20,684,980)

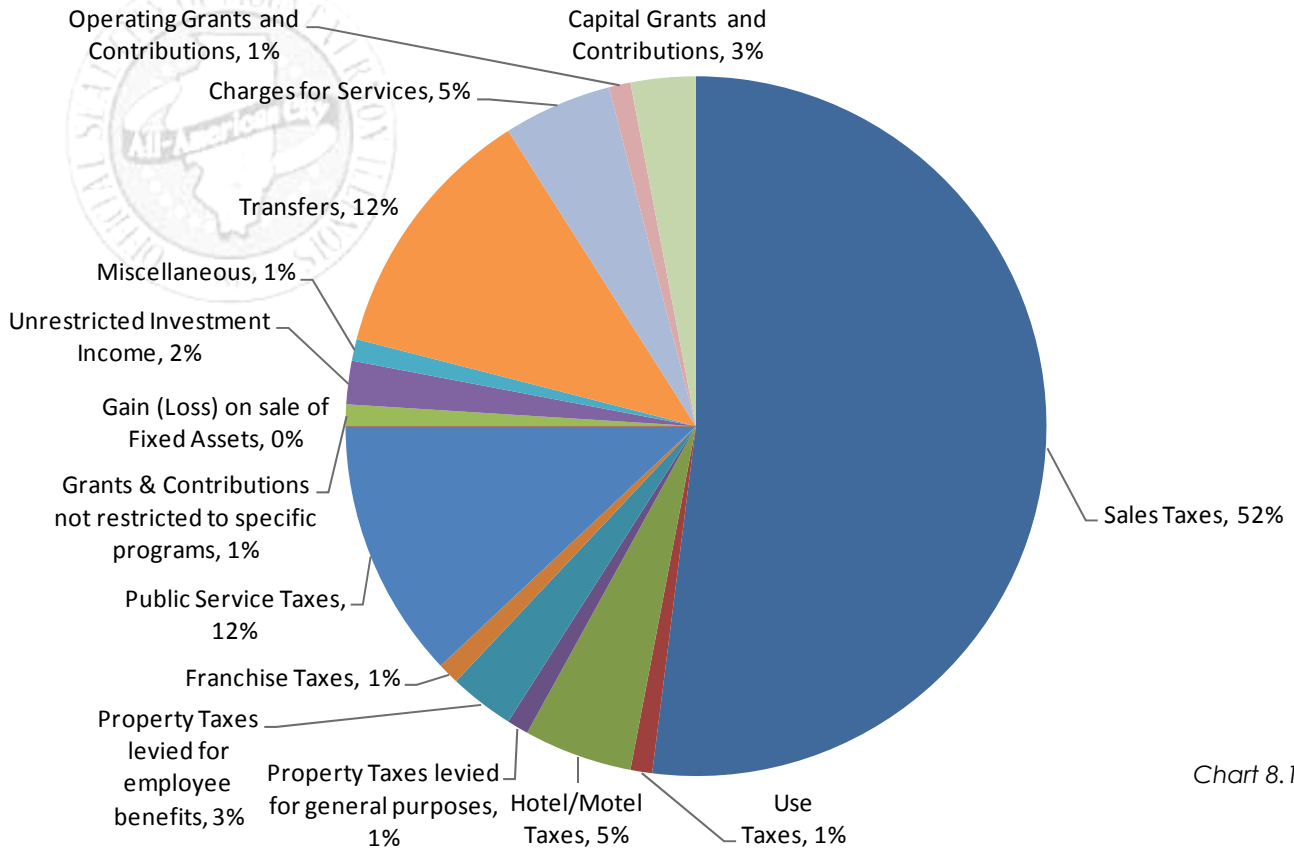


Chart 8.1

Expenses - Governmental Activities (2008) (General Corporate & Special Revenue Funds)

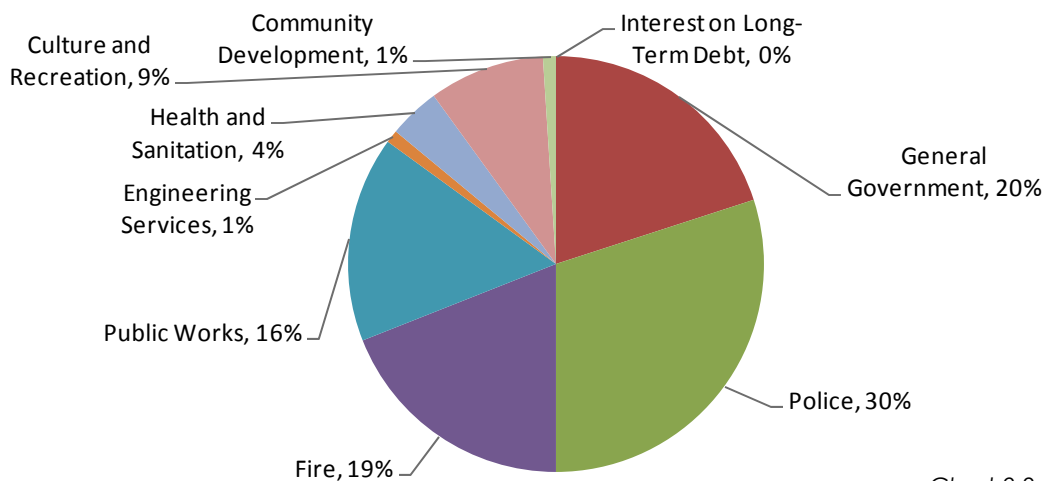


Chart 8.2



All Funds Estimated & Proposed Budget Summary

	GENERAL CORPORATE FUND	SPECIAL REVENUE FUNDS*	PROPRIETARY FUNDS**	TOTAL
WORKING FUND BALANCE 5/1/2008	\$ 1,460,619	\$ 4,247,759	\$ 380,750	\$ 6,089,128
EST. REVENUES FY 2008-2009	13,934,984	1,041,618	9,505,512	24,482,114
FUNDS AVAILABLE	15,395,603	5,289,377	9,886,262	30,571,242
EST. EXPENSES FY 2008-2009	(13,244,059)	(1,341,524)	(9,466,628)	(24,052,211)
RESERVE FUND TRANSFERS	(724,477)	0		(724,477)
EST. WORKING FUND BALANCE 5/1/2009	1,427,067	3,947,853	419,634	5,794,554
PROPOSED REVENUES FY 2009-2010	15,390,183	1,488,527	9,733,076	26,611,786
FUNDS AVAILABLE	16,817,250	5,436,380	10,152,710	32,406,340
PROPOSED EXPENSES FY 2009-2010	(16,371,000)	(2,526,610)	(9,532,447)	(28,430,057)
RESERVE FUND TRANSFERS	446,165			446,165
PROPOSED WORKING FUND BALANCE 4/30/2010	<u>\$892,415</u>	<u>\$2,909,770</u>	<u>\$620,263</u>	<u>\$4,422,448</u>

2009-2010 Annual Budget
Table 8.1

*Special Revenue Funds: Motor Fuel Tax, Tourism, CDAP, Revolving Loan, SSA #1, Homestead TIF, Downtown TIF

**Proprietary Funds: Sanitation, Health Insurance, Public Utilities



Projected Funding

General Corporate Fund Highlights

The General Corporate Fund is the major operating fund of the City. As page 121 indicates, the working fund balance projected at April 30, 2010 in this fund is \$892,415 with total expenditures projected at \$16,371,000 for the fiscal year ending April 30, 2010.

The estimated revenue for the fiscal year ending April 30, 2010 is \$15,390,183, the City projected that the revenue from the two highest sources of revenue, 1% State Sales Tax and 1% Home Rule Sales Tax will be the same as the amount estimated to be received for the fiscal year ending April 30, 2009. At this time, the General Corporate Fund provides adequate revenues to maintain day to day operations and routine maintenance of General Corporate operations and assets, but is incapable of financing large capital projects. Continuing trends in low or no growth in these revenue streams will hamper the City's ability to maintain current operational levels.

In response to the limitations of the General Corporate Fund, and increase the City's opportunity to generate new sales taxes without raising rates, the City Council effective September 1, 2008, enacted a 1% tax on prepared food and beverages and a 2 cent per gallon tax on diesel fuel. Effective January 1, 2009, it enacted an additional 1% telecommunications tax in addition to the existing 1% bring it total of 2%. These three new taxes are expected to bring in revenue of \$1.1 million annually that has been earmarked by the City Council to be used to finance future capital and infrastructure improvements. Based on current market conditions and current obligations, the City could debt service approximately \$12.5 million in capital projects over a 20 year amortization period through these new revenue sources.

The Comprehensive Plan Infrastructure Chapter indicates a series of projects classified as follows: Transportation Projects (i.e West Veterans/South Davidson Extensions), Pedestrian Bicycle Projects, Sidewalk Replacements, and Storm-water Improvements. All told this equates to a total of \$35 million of proposed developments. Given the restrictions of the City's debt service ability at this time, the demands of the Infrastructure system, and the proposals outlined in the Quality of Life Section of this Plan, projects should be selected that address critical system deficiencies/threats or those that will aid in creating a climate for growth of revenue generating projects (i.e West Veterans/South Davidson Roadway Extensions).

Special Revenue Funds Highlights

The City has seven "Special Revenue" funds whose revenues are earmarked for specific purposes and are not to be used for general operating purposes. These funds are listed on page 121. Their working fund balance at April 30, 2010 is projected to be \$2,909,770. The Revolving Loan Fund and the Motor Fuel Tax Fund make up \$2,901,972 of this total. Under proper conditions, the Revolving Loan Fund and Motor Fuel Tax funds may be used to support infrastructure improvements in both the General Corporate Fund and Public Utilities Fund.

Proprietary Fund Highlights

The City has three "Proprietary" funds whose operating expenses are intended to be funded by its operating revenues. It is imperative that rates in these funds be maintained at a level adequate to maintain basic operations to eliminate the need for subsidies from the General Corporate Fund.

Sanitation Fund

The Sanitation Fund became a Proprietary Fund on May 1, 2008 when its revenues were increased enough to pay its operating costs and thereby support itself. The City is projecting a working fund balance of \$19,802 at April 30, 2010. The trash rates have not been increased for the fiscal year ending April 30, 2010.

Self Insurance Fund

The City maintains a self-insured health insurance fund, which is also treated as a Proprietary Fund. The City's health insurance is one of its largest line item expenses. The City is estimating a 16% increase in our self-imposed rates effective January 1, 2010 and a working fund balance of \$65,071 on April 30, 2010.

Public Utility Fund

The Public Utilities Fund operates the water distribution and sanitary sewer systems of the City. Unlike the previously discussed proprietary funds, the Public Utility Fund has the demands of maintaining and expanding a large capital infrastructure system. The updating and expansion of this system is critical in maintaining a high quality of life and increase the City's development opportunities.

The City is projecting a working fund balance of \$535,390 at April 30, 2010. The City buys all of their water from Rend Lake Conservancy District and utilizes Environmental Management Corporation to operate their sewage treatment plant.

Similar to the General Corporate Fund, the Public Utility Fund currently receives adequate revenues to maintain operations, but inadequate revenues to finance large capital projects. To continue this trend, the City must implement annual rate increases to match operational increases and maintain the operational integrity of this fund.

The Comprehensive Plan Infrastructure Chapter indicates a series of projects classified as follows: Water/Sewer Replacements (\$2.5 million), New Water/Sewer Lines (\$4.35 million), Water Tower Repairs/Replacement (\$2.9 million). All told this equates to a total of \$9.75 million in system upgrades and enhancements. These system upgrades will ultimately reduce water losses through leaks and the City will reduce costs of water purchases and overtime expense. In addition these projects will assist in the development of new commercial projects generating new revenue streams for the City.

Given the Public Utility infrastructure demands indicated in this Plan, the City of Mt. Vernon must give serious consideration in developing a plan of Public Utility revenue enhancements to meet capital needs. Beginning in FY 2009-2010 the City enacted an additional 3% rate increase to begin to address revenue for capital needs. This additional revenue will provide approximately \$150,000 per year and have the capability to debt service almost \$1.9 million over 20 years. Given the \$9,750,000 in planned projects, the City could implement a series of annual additional 3% increases over 5-6 years and create an adequate income stream to debt service the planned projects. A second option would be to implement one or two larger increases earlier during Plan implementation in order to facilitate the projects on a shorter time frame. The selection of the funding plan will obviously be based on the timing of the projects selected for implementation and other unforeseen system demands. As with the General Corporate Fund, at this time Public Utility projects should be selected that address critical system deficiencies/threats (i.e. Times Square Mall Water Tower, Continental Tire Force Main) or those that will aid in creating a climate for growth of revenue generating projects (i.e. new interchange water/sewer extensions).

Other Fund Opportunities

The City of Mt Vernon realizes that all of these proposals enumerated in this Plan can not be implemented solely by local revenues. Where eligible and available the City will apply for third party funding sources via State/Federal grants, Legislative Appropriations and private participation to aid in the implementation of the goals of this Plan. These proposed programs are listed later in this Chapter.

Other Recommendations

To enable the City to more effectively manage the demands of implementing this Plan, there should be developed a set of written fiscal policies that address working fund balances, purchase procedures, inter-fund transfers and financing policies.

Authority/ Organization	Grant Program	Details	Relevance to Mt. Vernon
Illinois Department of Transportation	Truck Access Route Program (TARP)	To help local government agencies upgrade roads to accommodate 80,000 pound trucks. The routes are to provide access to points of loading and unloading and to facilities for food, fuel, truck repair and driver rest. IDOT provides \$30,000 per lane mile and \$15,000 per intersection; state participation will not exceed 50% of total construction or \$600,000, whichever is less.	This program could help finance road improvements to upgrade Veterans Memorial Drive, Liberty Road and Liebengood Road into truck routes to service the industrial area on the northeast side.
Illinois Department of Transportation	Safe Routes to School Program	Funds projects to enable and encourage children to walk and bicycle to school, improve safety and reduce traffic and air pollution in the vicinity of schools. \$10,000-\$400,000 available for infrastructure projects; \$2,000-\$50,000 for non-infrastructure projects. Funded at 100%, with no local match required.	This program could help finance bike paths and bike/pedestrian crossings at busy streets within two miles of a school.
Illinois Department of Transportation	Rail-Highway Safety	Provides funding for safety improvements at rail / highway crossings. Provides 100% matching funds.	This program could help finance railroad crossing safety improvements.
Illinois Department of Transportation	Township Bridge Program	Provides funds for the use of road districts for the construction of bridges 20 feet or more in length. Funded at an 80/20 matching ratio.	This program could be used to finance a new bridge.
Illinois Department of Transportation	Enhancements	Transportation related enhancements designed to strengthen the cultural, aesthetic, and environmental aspects of the intermodal transportation system; funded at an 80/20 matching ratio.	This program could help finance streetscape enhancements into Downtown Area.

City of Mt. Vernon, Illinois

Comprehensive Plan 2019

Illinois Department of Natural Resources	Recreational Grants-in-Aid Programs	Up to \$750,000 available for Open Space Land Acquisition and up to \$400,000 for Development; Bikeway programs are funded up to \$200,000 for development and with no maximum for land acquisition. Assistance of up to 50% of project costs.	These grants could help finance the bike path network and the addition of new neighborhood parks.
Illinois Department of Natural Resources	Public Museum Grants Program	Provides capital funds to help public museums expand and upgrade their facilities and create new exhibits to improve their ability to advance their mission and provide learning opportunities. Currently, the grant cycle is on hold.	This program could help finance Public Museum Development
Illinois Environmental Protection Agency	Alternate Fuels Rebate Program	Provides rebates to local governments who acquire an alternate fuel vehicle, convert an existing conventional vehicle to an alternate fuel vehicle, or purchase domestic renewable fuel to operate an alternate fuel vehicle. Funds 80% of cost of vehicle up to \$4,000.	This program could help finance conversion of the City's vehicle fleet to one which operates on alternative fuels.
Illinois Environmental Protection Agency	Brownfields	Grants and technical assistance for redevelopment of abandoned or underused industrial and commercial properties. Up to \$200,000 (\$350,000 under certain conditions) per site, no more than \$700,000 per entity; two-year performance period.	These grants could help finance redevelopment of underutilized parcels.
Illinois Environmental Protection Agency	Drinking Water Infrastructure Revolving Loan Program	This program offers low interest loans for the construction of drinking water facilities. The loan rate is set at 1/2 the market interest rate; project funding in any one fiscal year is limited to 25% of available funds.	This program could help finance a new water treatment plant, water main replacements, or new wells.
Illinois Environmental Protection Agency	Wastewater Infrastructure Revolving Loan Program	This program offers low interest loans for the construction of wastewater facilities. The loan rate is set at 1/2 the market interest rate for a maximum of 20 years.	This program could help finance a new wastewater treatment plant, lift stations, sewer lines, etc.

City of Mt. Vernon, Illinois

Comprehensive Plan 2019

Illinois Department of Commerce and Economic Opportunity	Community Development Assistance Program	This program finances economic development projects, public facilities and housing rehabilitation; it is targeted to assist low-to-moderate income persons by creating job opportunities and improving the quality of their living environment. Specific programs under the CDAP are listed below.	This program could help finance housing and employment investments in the Southtown Neighborhood as well as in other parts of the City.
Illinois Department of Commerce and Economic Opportunity	Economic Development Grants	Grant funds of up to \$750,000 may be available for loan by a local government to businesses locating or expanding in the community. Funds may be used for machinery and equipment, working capital, building construction and renovation. Grants may also be available for improvements to public infrastructure in direct support of a business that would create and/or retain jobs in the community.	These grants could help finance business investments in any of the City's commercial or industrial districts.
Illinois Department of Commerce and Economic Opportunity	Housing: Single Family Owner Occupied	To provide safe and sanitary living conditions for low-to-moderate income residents, local governments may request grant funds up to \$350,000. These grants are used to upgrade existing housing stock in the communities.	These grants could help finance housing improvements throughout Mt. Vernon.
Illinois Department of Commerce and Economic Opportunity	Public Facilities Construction	Local governments needing to improve public infrastructure and eliminate conditions detrimental to public health, safety and public welfare may request grants up to \$350,000 for Public Facilities to undertake projects designed to alleviate these conditions. The funding priority for this component is water, sanitary and storm sewer projects.	These grants could help finance drinking water, wastewater and stormwater system improvements.

City of Mt. Vernon, Illinois

Comprehensive Plan 2019

Illinois Department of Commerce and Economic Opportunity	Mobility and Accessibility Rehabilitation Supplement	To provide safe and accessible housing conditions for low-to-moderate income residents of owner occupied and rental units in their communities, local governments may request grant funds up to \$100,000. These grant funds are used to rehabilitate and retrofit properties for occupancy by persons with physical impairments.	These grants could help finance housing improvements to make them mobility accessible, as needed on a case by case basis.
Illinois Department of Commerce and Economic Opportunity	Renewable Fuels Development Program	Provides grants for the construction of new biofuels production facilities in Illinois. The program is specifically designed to increase biofuels (ethanol and biodiesel) production. Up to \$25,000 available for development of business plans, engineering, design, permit applications and legal work. Grants up to \$5.5 million per facility (which must be at least 30 million gallons per year); total grant award can not exceed 10% of total construction cost or 10 cents per gallon of additional biofuels production capacity, whichever is greater.	This program could help finance a new ethanol or biodiesel production facility, which could also provide economic development benefits to Mt. Vernon
Illinois Department of Commerce and Economic Opportunity	Small Business Smart Energy Program	Provides energy efficiency technical services for small to medium-sized, for-profit businesses. The technical services can identify opportunities for energy savings through intelligent building design and efficient building components and systems. Free technical design assistance, education and training.	This program could help small to medium-sized businesses in Mt. Vernon become more energy efficient.
Illinois Department of Commerce and Economic Opportunity	Manufacturing Energy Efficiency Program	MEEP will offer Illinois manufacturers total energy cost optimization planning including energy information management systems, information on purchasing options available due to electric deregulation, and guidance on low-cost financing options for energy efficiency improvements. 50% funding support up to \$10,000.	This program could help manufacturing operations in Mt. Vernon become more energy efficient.

City of Mt. Vernon, Illinois

Comprehensive Plan 2019

Illinois Department of Commerce and Economic Opportunity	Illinois Recycling Grants Program	Provides technical and financial assistance to communities, businesses, and not-for-profit organizations collecting and processing recyclable materials. Grants up to \$60,000 for traditional collection programs and \$120,000 for primary processing projects. For computers and electronics, grants up to \$60,000 for collection and \$75,000 for processing are available.	This program could help finance upgrades and investments to the City's recycling capabilities.
Illinois Department of Commerce and Economic Opportunity	Enterprise Zones	Businesses that invest in a designated enterprise zone are eligible to receive sales, income and property tax credits and abatements; they are intended to foster redevelopment in areas of high unemployment, poverty and economic distress.	Expansion of current Enterprise Zone could spur new investment and development in targeted areas.
Illinois General Assembly	Tax Increment Finance Districts	A mechanism for local governments to fund urban redevelopment, particularly in blighted areas.	Mt. Vernon currently has a TIF district covering the downtown area; a new TIF district could be established along Veterans Memorial Drive and the new interchange area to spur redevelopment and public-private partnerships.
Illinois General Assembly	Impact Fees	Home-rule local governments may adopt and implement road improvement impact fees, designed to require new developments to bear a fair share of the burden of road improvements.	These fees could be used to help finance new road construction on the edges of town as raw land becomes developed and added to the urbanized area of Mt. Vernon,
State of Illinois	Illinois Economic Development for a Growing Economy	EDGE provides tax credits to businesses that make an investment of at least \$5 million in capital improvements and create a minimum of 25 new jobs. Tax credits are calculated on a case-by-case basis; credits are available to firms for up to 10 years for each project.	This program could help attract major new employers to invest in and establish operations in Mt. Vernon.
State of Illinois	Special Service Areas	SSAs are financed by a special service tax applied to an area that receives the benefit of specific special services provided by the municipality. SSAs can be used for a wide range of services that benefit a portion of a municipality.	SSAs could help finance special services in particular districts of the City.

**Mt. Vernon Police Department
Grants Applied for 2009**

Grant	Request	Information
National Tactical Officer's Association Grant	5 live Taser XREP rounds and 10 training rounds	This is a zero matching funds grant valued at approximately \$750.00. This product is in the developmental stage and the exact prices is not known at this time.
Bureau of Justice Ballistic Vest Grant	Reimbursement for 14 ballistic vests	This is a 50% matching funds grant to replace outdated ballistic vests. The value of this grant is \$7,640.00 with \$3,820.00 being the obligation of the City.
Recovery Act - Assistance to Rural Law Enforcement to Combat Crime and Drugs Program	Three fully equipped patrol cars	This is a zero funds matching grant to purchase and equip three patrol cars. The total value of this is \$126,782.00
Office of Community Oriented Policing Services	The salaries for three full-time officers with fringe benefits for three years	This is a zero funds matching grant that provides the salaries and fringe benefits for three officers for a total of three years. The only requirement is the City must retain the three positions for one additional year beyond the first three. The value of this grant is \$430,527.00.

Mt. Vernon Tourism Department Grants Applied for 2009

Grant	Request	Information
DCEO Bureau of Tourism LTCB (Local Tourism Convention Bureau) grant	\$61,665	Annual grant for advertising and marketing the City of Mt. Vernon. (FY 2009-10 amount awarded)
IDNR Trails Grant	\$200,000	Pending grant for 2+ miles of asphalt trail connecting Cedarhurst and Casey Middle School. Total project cost is \$412,000 with \$212,000 to be provided by City if grant is awarded
IDOT ITEP Trails Grant	\$388,650	Pending grant for 1.6 miles of concrete and asphalt trail connecting Cedarhurst and Veterans Park. Total project cost is \$485,813 with \$97,163 to be provided by City if grant is awarded.
IDOT Safe Routes to School Grant	\$247,416	Pending grant for 1.5 miles of new 5' wide concrete sidewalks on Cherry Drive, Peach Street, 29 th Street. No match required from City
DCEO MPP Grant (Marketing Partnership Program)	\$5,347	Advertising new Midwest Light Sport Aircraft Expo to be held October 1-3, 2009 at Mt. Vernon Airport
Schweinfurth Foundation Grant	\$10,000	Grant awarded for Lincoln statue placed at Appellate Courthouse in 2009
Illinois Abraham Lincoln Bicentennial Commission	\$13,000	Grant awarded for Lincoln statue placed at Appellate Courthouse in 2009