

UTILITY TAX RESERVE POLICY – Adopted May 3, 2007; Proposed Amendment September 2008

On March 21, 2006, Village residents approved through referendum a 1% Non-Home Rule Sales Tax. Pursuant to State law, Non-Home Rule Sales Tax may only be used for property tax relief or infrastructure improvements. The Village's commitment at the time of the referendum was to use it for the latter. As a result of utilizing Non-Home Rule Sales Tax for infrastructure purposes, the Village is in a position to re-allocate some or all of the Village's Utility and Telecommunication Tax revenue previously used for capital improvements toward meeting future operating needs. In order to monitor future utilization of the Utility and Telecommunications Tax revenue, a Utility Tax Reserve Account has been established as an unreserved but designated account in the General Fund to account for Utility and Telecommunications Tax revenue that is not designated for capital or operating purposes within a given fiscal year. The Utility Tax Reserve will be updated each year during the annual budget process based upon expenditure decisions made in previous fiscal years and updated revenue forecasts.

In addition, in order to maintain necessary Village services as pledged during the 2006 referendum process, up to 15% of the beginning of the year balance in the Utility Tax Reserve account can be allocated to the General Fund to offset any revenue shortfalls for that fiscal year, up to a maximum of \$750,000 per fiscal year. This allocation shall be for revenue shortfalls only, and shall not be used for any additional expenditures that were not included in the budget that was approved by the Village Board. Any revenue shortfalls that are in excess of \$750,000 would need to be accounted for through additional revenue enhancements, the allocation of more Utility Tax Reserve balance, or decreases in expenditures and/or services, which would be handled through the normal budget amendment procedure which would be brought to the Board for approval. **The Village Manager shall notify the Village Board in writing sixty (60) days in advance of his/her intent to use this additional allocation of the Utility Tax Reserve.**