

**March 4, 2010
Village of River Forest**

**Supplemental Report
Citizens Advisory Committee on Finances**

**By: Stephen Hoke
River Forest Village Trustee
Member: Finance Committee**

This report is offered to the Village Board and the Citizens Advisory Committee on Finances in response to the invitation of the President and Board members for additional cost-reduction ideas. I would like to thank and commend the Citizens Committee for the considerable time and effort it has expended seeking to assist the Board in addressing fiscal concerns, and for the many worthwhile issues it has identified. Many, particularly its expense reduction ideas, are worthwhile and should be implemented. This report is offered as a supplement to the Committee's work.

The operations of a municipality, even a small one like River Forest, are complex. It is difficult for ordinary citizens to climb the learning and experience curve in a meaningful way in the limited time permitted this Committee. This makes the Committee dependent on Village officials and employees for information, many of whom are constrained by issues such as employee morale and collective bargaining issues. It is ultimately the responsibility of our elected officials to navigate these conflicting interests, with an understanding of the bigger picture and a vision for the future. Our elected officials should articulate this vision to the taxpayers. There should be no uncertainty as to whether the Board intends to address its financial situation primarily with expense reductions or tax hikes or one-time budget fixes such as the use of TIF funds to finance general operating expenses.

Executive Summary

River Forest has existing pension liabilities of between \$23MM to \$30MM – approaching 3x its annual budget. This pension obligation is constitutionally guaranteed, and, there is nothing that can legally be done to reduce it. Therefore, looking to Springfield for help only serves to distract and delay from the immediate need to address this serious problem and renders it more likely that the Board will seek a property tax hike in the future. However, it is unlikely that the voters will approve significant new taxes, much less higher property taxes. Thus, the Board must move immediately to pursue and implement long-term structural change that will both limit future pension liabilities and reduce ongoing operational expenses. These changes cannot nibble at the margins, but must represent fundamental change. Among the “big ideas”

that should be explored are “part-time” and/or auxiliary police officers, implementation of a Fire Protection District, outsourcing of the plan review process in the Building Department, consolidation and elimination of individual positions throughout the Village, and a user fee on Dominican and Concordia. Most importantly, the Board must clearly articulate to the voters its economic vision. My personal vision is that: 1) we should not raise any fees or taxes on residents until we can conclusively prove we have cut all near-term expenses possible, and; 2) that we must clearly articulate to the taxpayers a plan for meaningful long-term restructuring with the goal of reducing expenses and maintaining current service levels. This report provides my vision of the latter.

Our Financial Problem:

If the Village of River Forest were a public company, it would have been considered insolvent for over a decade. Our pensions are funded at approximately 53.1% of projected cost (individually: Police 50.6% and Fire 56.9%), and the problem is likely far worse. The Village itself concedes \$23,120,459 in unfunded pension liability (See excerpts from Police and Pension Fire Actuarial Valuation Reports for 2009-10 attached as Exhibit A). In fact, the true number likely approaches or exceeds \$30,000,000.¹

Placing the \$23-30MM pension shortfall in perspective, this amount is approaching three times the Village’s annual budget. This translates to at least \$2,069 for each and every resident, man, woman and child. And, the custom and practice of the Village Board has been to allow this unfunded pension liability to grow annually. We are passing this liability on to future taxpayers and future generations. In this context, it is misleading to say we have “balanced the budget” this year or previous years – even after we, in an unprecedented action, used TIF funds to bridge the gap in our most recent fiscal year.

A common reaction to this dilemma has been for our leaders, past and present, to deflect blame by saying other municipalities have similar pension issues. It was recently pointed out that we are only a “little worse than average” in pension funding among Illinois municipalities. This argument is as irrelevant as it is unpersuasive. “A little bit worse than average” is not something to be proud of, especially for a wealthy high-tax Village like River Forest. With our high tax rate, voters have a right to expect that we would have well-funded pensions.

More importantly, relative funding is not the issue: it does not change the underlying dynamic that these funds will have to be paid to our retired employees one day in the future. These

¹ The Village’s lower number is based on the dubious assumption that the Fire Pension Fund will earn up to 7.5% per annum in its investments and the Police 6.5% for the future life of the funds (Exhibit A). The Village’s actuary projects this rate of earning despite the fact over half of the investments are in cash or fixed income, which typically yield far less than equities. And, the Village continues to erroneously use 1971 mortality tables despite knowing that they artificially decrease future liabilities and thus understate the total unfunded liability (Exhibit A).

pension liabilities are constitutionally guaranteed. The state cannot just change the law to address the existing obligations in any way. And, they wouldn't if they could because the legislators draw pensions and would be taking money from themselves, as do the Illinois Supreme Court justices that interpret the State's Constitution. Indeed, all forms of proposed pension reform currently under discussion in Springfield only address the future: they do nothing to address River Forest's \$23-30MM legacy liability. We are going to have to pay these funds someday – we will not be bailed out.

Complicating the situation, many taxpayers are unaware that the Village accounts for only 11% of our respective property tax bill. Said another way, a government body that accounts for only 11% of your property tax bill has managed to amass a \$23-30MM unfunded liability – a huge number for a small Village like River Forest. It is a fair question how such a small portion of our local government could have accumulated such a substantial liability. Multiply this problem to the other local taxing bodies that have their own financial and pension problems and you have a truly grave situation (not to mention the State which has an estimated \$130,000,000,000 unpaid pension liability). In conclusion, no one taxing body is going to have the wherewithal to increase their tax rates relative to the others to fix this problem. And, if all of the taxing bodies raised property taxes simultaneously, the voters would rebel.

Perception Issues:

Further complicating the task at hand is that many of our taxpayers are unaware of the division of responsibilities among the various local taxing bodies. They tend to lump them together and evaluate our performance in the collective. Of late, there is increasing criticism that we do not receive services consistent with our high tax rates. It is a fair question for our citizens to ask their elected officials of all local taxing bodies why our taxes are so high relative to other communities when we do not provide various services generally associated with wealthier communities (most with lower effective tax rates) such as a municipal pool, an appealing recreation center, state of the art school buildings, etc. In these economic times, home buyers are looking more critically at what a town offers before committing to pay top dollar for homes *and* top dollar for real estate taxes. As one new resident recently said to me: "Where's the beef?" Fair question. We need to become competitive, and quickly, if we wish to maintain the critical mass of our appeal. And, we have to do so while digging ourselves out of a mountain of legacy debt and without raising property taxes.

The Old Way – Raising Taxes – Won't Work Any More

The Village should not even consider higher tax options until they can conclusively demonstrate that they have done everything possible to reduce expenses. We have not done that yet. The old approach, scaring the voters about impending loss of services and getting them to agree to

raise property taxes (or passing a home rule referendum so the Village can ignore property tax caps) just isn't going to work any longer. We have gone to the well one too many times. And, as we can see, increased property taxes haven't made us any more financially secure – in fact, it is just the opposite.

What we need is for our leaders to lead with new ideas and new approaches that demonstrate fiscal restraint and accountability. The results of the Park District referendum make this clear. The Park District only accounts for 4% of our property tax bill and has exhibited relative frugality conducting its business from a train depot. It is indeed telling that despite their previous fiscal prudence, the Park District's proposed bond issuance was overwhelmingly rejected by the voters who are just plain sick and tired of higher taxes. This should be a wake-up call to all of our taxing bodies, including the Village Board.

Unprecedented Use of TIF Funds

The recent use of our economic development TIF funds to plug a one-year budget only served to delay addressing our financial problems. Simultaneously, it depleted the very funds that could have been used to promote economic development that would help organically grow ourselves out of this financial hole by building our commercial tax base. In order to “balance the budget” for this fiscal year, in an unprecedented maneuver, the Village gave away to other taxing bodies approximately \$3,000,000 in TIF funds it had saved for two decades to promote economic development so that it could get its hands immediately on \$1.2M. In so doing, the Village also forfeited approximately \$450,000 in free-state matching funds – again to be used for economic development. In sum, the Village collectively gave up as much as \$3,500,000 in economic development TIF funds rather than find \$1,200,000 in expense reductions. This exchange would make a payday loan officer blush.

The logical bankruptcy of this approach was accentuated in a letter to the editor of both local papers from Oak Park Village Manager, Tom Barwin that ran just yesterday, March 3, 2010. In decrying the lawsuit filed by the OPRF District 200 Board against the Village of Oak Park seeking payment of \$3MM in TIF funds, Barwin points out that OPRF has an \$83MM cash reserve, four times what is considered appropriate. This cash reserve was the product of the so-called “back-door” tax hike (imposed without voter approval).²

Why is this relevant here? Because, now, the Village, the Park District, D90 and D97, who truly need the money couldn't even dream of a successful tax referendum because D200 beat them to it, and the voters understandably have had enough. And, for reasons that only the River Forest Board could explain, the Village Board gave D200 another \$1MM in our hard-earned TIF

² In addition to producing this huge cash reserve, it also provided the means by which D200 granted 9% per annum salary hikes (with yearly step-ups) to the OPRF Teachers - guaranteed for five years in a deflationary environment.

funds for the ostensible purpose of building a chemistry lab. Unless that chemistry lab is going to cost \$84MM, this was, at best, political spin to cover for its raid of TIF funds because they refuse to cut expenses. This decision is among the most far-reaching ever made by the Village Board, ranking with the destruction of the Washington School which precluded its pending acquisition by the Park District for a recreation center. As a result, a generation of River Forest children has had to attend programs in a tiny converted train depot. As before, this latest decision on TIF funds will also have devastating long-term consequences as economic development is the only way to grow the tax base to reduce the property tax burden. It is a disheartening but revealing statement about how the current Village Board has approached financial difficulties to date, and reflects on its vision for the future.

Articulating a Clear Vision for the Future

Where are our big ideas? What is our economic vision? We must make hard choices now. The old way – raising fees and taxes - isn't going to work.

In this context, it is not helpful to say that there is absolutely nothing more that can be cut. I disagree. But, more importantly, this view is irrelevant unless you accept permanent deficit financing and ever-increasing taxes. If this was a business or your personal family budget, you would be forced to cut regardless of the consequences – you can't spend what you don't have. Government, however, allows leaders to accumulate unlimited liabilities as long as elected officials are willing to foist the problem on their children and grandchildren. We in River Forest should aspire to do better.

To this end, I propose some budget cutting ideas that potentially provide fundamental change. Yes, they are ambitious – they are intended to be. Some are painful. Some will take time to implement. And, each requires study and public debate before we can deem them right for River Forest. *In other words, real change is real hard.* To get there, we must articulate a clear economic vision. We must show leadership.

Police Department:

I begin with the Police Department because it has already delivered lasting positive change and is a model that “more for less” is possible. Even with the dramatic turnaround, it is also a good example about how we shouldn't rest on our laurels – even more can be done to make it more effective and efficient. In other words, “fantastic job, Chief Limon, unbelievable job, now what more can we do?”

In his first year as Police Chief, Frank Limon and his officers accomplished the seemingly impossible. He has cut staff 17% (30 to 25) while simultaneously cutting the crime rate dramatically. The Village has made much of the fact that it has reduced overall staff in 2009

from 82 to 74. The fact is that 5 of those 8 positions were in the Police Department (see Exhibit B). The Police Department has borne a disproportionate share of the pain, and each and every one of them deserves our thanks. While slashing their budget and cutting the crime rate, Chief Limon and his officers rebuilt morale and professionalism throughout the Department, transforming a historically dysfunctional department to a regional model and source of pride, culminating with Chief Limon being named Wednesday Journal "Villager of the Year." He is proof that *"more for less" is not a slogan; it should be both a goal and an expectation.*

It bears analysis how this dramatic turnaround in the Police Department was accomplished, as it can be a model for change in the rest of the Village. What lessons can we learn from the turnaround in the Police Department? The problems there took a decade to develop. During that time the Police Committee never met (for eight years, and neither did 4 of 5 of the other Committees including those whose responsibility it is to promote economic development). Only after a year-long bitter partisan battle did the Committee structure get restored, with the Police Committee as the leading edge of these efforts. Shortly thereafter, the Police Committee conducted an investigation (that was vehemently criticized as unnecessary and political) that ultimately led to the hiring of Chief Limon. The rest is history. We now have a more effective, efficient Police Department that is a source of pride, not negative headlines.

The lesson of history is: 1) that an actively engaged Village Board is a necessary precursor of real long lasting change; 2) that an independent Committee structure is critical to success; 3) even when change is so clearly needed, change agents will have to withstand withering criticism, but the resultant contentious debate can produce positive change ultimately accepted as successful by all; and 4) change can be set into motion by the Board, but it requires highly qualified professionals such as Chief Limon to implement change in technical areas such as Police, Fire and Public Works. In fact, since Chief Limon was hired, the Police Committee has not substantively met. There has been no need. This is the model for how an effective Village Board should operate. Hire the best person for the job and monitor their effectiveness. We should learn from this history.

Fortunately, we have excellent Department Heads. However, we as a Village Board need to establish performance objectives for them consistent with the financial situation we face. We need to press them very hard to reach deep into their experience to find inefficiencies and promote change that reflect both the Village's difficult economic situation *and* the difficult economic situation of our taxpayers. These are the historical lessons of the changes in the Police Department, and we should understand and apply them throughout the Village.

In this context, as Chairman of the Police Committee, I intend to investigate the following two concepts:

Part-time Police Officers: Generous Illinois pension benefits perversely encourage our most highly trained police officers to retire at a young age despite having many years of worthwhile service remaining to offer their municipalities. These officers are replaced by less experienced, untested rookies, who just repeat the cycle and ultimately add to our future pension liabilities. However, there is always opportunity in dysfunction to those with vision and determination. This perverse incentive produces a large pool of retired police officers who are still relatively young and professionally desirable, and with a long service record which enables a potential employer to understand exactly their desirability or lack thereof. And, given their relatively young age, many would be very interested in securing supplemental income in their chosen profession. In fact, they are at the peak of their experience, and are still physically capable. In sum, we would have a large pool of excellent trained officers with a developed track record from whom to select. And, given their part-time status, we do not have to pay pension or other benefits – the very thing that is crippling our Village. They are a flexible pool of manpower that could reduce our overtime and general personnel costs, while improving public safety.

Part time officers are legally permitted in Illinois, and serve with distinction in dozens of communities in the metro area. Forest Park has at least six veteran part-time officers. Bellwood, Palos Heights, Tinley Park, Willow Springs and Chicago Ridge all use them extensively.

Auxiliary Police Force: Unarmed Auxiliary Police are another method by which we can increase manpower without incurring pension and other benefit costs. They are successfully utilized by other local municipalities such as Elmwood Park and Tinley Park, and could be used to supplement police activity during peak times such as, morning and evening school traffic periods, the Memorial Day parade or other functions that require traffic control, etc. It would be my hope that they could be employed as unpaid volunteers, with consideration given to interested local citizens. They can actually become revenue positive if empowered to assist in parking control efforts. In so doing, this could increase ticket revenue which has stubbornly lagged in River Forest for many years – while addressing concerns of local citizens that parking laws are not aggressively enforced – not to mention that parking enforcement takes our existing officers away from crime prevention. There are many issues that need to be studied and debated before the Village could make an informed decision on this issue. In fact, I would expect that this issue may be somewhat controversial. However, until we study it, we cannot make an informed decision.

I intend to convene the Police Committee to discuss how and whether to study these matters, and will put in a firm timeline to make a recommendation to the Village Board.

To be clear, neither of these ideas will address our financial situation in this budget year. But, they offer potential meaningful long-term savings, and, the sooner we start studying them, the sooner they can be implemented. Of course, precisely because they do provide fundamental change, they will be met with vehement opposition. We must find ways to decrease our pension liabilities, and the only way to do that under current law is to reduce full-time staff. Ignore or demagogue this and you are not pursuing fundamental change and instead passing the problem on to your children.

Fire Department

As Exhibit B indicates, the Fire Department was the only Village unit that did not reduce personnel last year. As above, unless we can find a way to reduce personnel costs, we cannot address our core problem.

In my personal opinion, Chief Eggert is an exceptional Chief. In my two and a half years on the Board, the Fire Department has been a source of pride. That being said, given the exigent financial circumstances, even demonstrated successes must be scrutinized for ways to meaningfully reduce expenses. Chief Eggert has done an excellent job of defending his employees and budget throughout the Citizens Committee meeting, and it is difficult for a non-professional to critically analyze and make budget recommendations to our distinguished Chief. The problem is that it inevitably leads to a conclusion that nothing more can be cut, and is a shortcoming of having a non-professional citizens' committee as the final arbiter of what is and isn't possible. We are not fire professionals, and cannot debate him in this regard. But, financial realities mandate that we must press for ways to deliver the same level of services at lower cost. I would urge the Fire Committee to actively engage and test these assumptions in a meaningful way, even soliciting outside expertise to review potential options perhaps overlooked by Chief Eggert.

I have suggested before and suggest here again that we begin the study of possibly forming a Fire Protection District with adjoining towns such as Oak Park and/or Forest Park and/or Elmwood Park. Given the desperate financial situation facing most Illinois municipalities, I believe that it is highly likely that Fire Protection Districts will be the norm in the Chicago metro area within 20 years. Financial realities will demand them. And, I predict that River Forest will be among them. My understanding is that there is substantial research available that would benchmark how many residents should be served by a particular fire station, and that it is typically more than our 11,000 residents. Obviously, it is not possible to have 2/3 or 3/4 of a fire station, so the only option to increase efficiency is combining with adjoining towns to

improve efficiency. For example, Oak Park has 3 stations (16,500 per capita) and Elmwood Park 2 stations (12,000 per capita) and Forest Park one station (15,000 per capita). There is a wealth of research and assistance available that allows a municipality to evaluate its particular needs. If, for example, an evaluation of our needs indicates that our one station could serve additional residents, we could service these additional adjoining areas more effectively deploying our shared resources. And, a combined fire protection district allows individual stations to access more specialized equipment that a larger district could afford to purchase and maintain.

This is not a “far-out” idea. Many years ago, River Forest conducted a study of the benefits of a fire protection district. I urge, as I have before, the Village Administrator to locate a copy of this report. There are several fire protection districts already successfully functioning in the metro area including the Darien-Woodridge Fire Protection District, Carol Stream Fire Protection District, Lisle-Woodridge Fire Protection District, York Center Fire Protection District, North Palos Fire Protection District, Palos Fire Protection District, and the Norwood Park Fire Protection District.

Other similarly situated suburbs are already pursuing these ideas in proactive fashion. Hinsdale is on the verge of forming a fire protection district with Clarendon Hills.³ In fact, our own Chief Eggert is a product of the Tri-State Fire Protection District, serving Darien, Burr Ridge, Clarendon Heights, and Willowbrook. He would be ideally suited to study, make recommendations and possibly implement such an approach, having successfully done additional annexation when he led the Tri-State Fire Protection District. Like Chief Limon, he is the right person at the right time to implement fundamental change. This approach would offer a meaningful expense reduction as it fundamentally addresses personnel and pension costs directly and substantially.

I strongly urge the Village Board to instruct the Fire Committee to meet and set a firm timetable to study and make recommendations to the Village Board. Again, it is not an excuse that it won’t solve our immediate financial problems, and would take “five years to implement.” If so, it will still take five years from the date we start studying it - so let’s begin now. The fact it is a “big idea” should not eliminate it from consideration, it should demand that we explore it.

Building Department

The Building Department is both a challenge and an opportunity. Unlike Fire and Police, it offers a meaningful revenue component in the form of permit fees, etc. Any approach to reform should take into account both components.

³ It is my understanding that DuPage County is holding a Consolidation Meeting on March 11, 2010 at the Lombard Village Hall to discuss the trend towards Fire Protection Districts, and other consolidation opportunities in the Police and Building Work Departments. I would urge our Department Heads to seek to attend.

I suggest that the Village Board explore the possibility of “outsourcing” more or all of the plan review function with the goal of: 1) reducing personnel costs and; 2) making the costs of the department “revenue neutral” by billing applicants directly for the services with an administrative upcharge (say, 10-25%) to make the Village whole by fully externalizing the cost of the work on the applicant that benefits from the work. The goal would be to outsource to the maximum extent possible the permit and plan review of drawing and construction documents for plumbing, mechanical and electrical.

Such services are already successfully offered by the Regional Office of the International Code Council (formerly B.O.C.A.). The ICC is a non-profit organization comprised of governmental entities, code officials, architects and engineers, and has a regional office in the Chicago area. As our municipal building code is originally patterned on the model B.O.C.A. code, they are naturally suited to the function. The ICC already provides such services to villages such as Tinley Park and Chicago Ridge. One advantage to outsourcing is if the contractor is not performing adequately, they can be replaced either with another contractor or by bringing the function back in-house. It introduces free-market competitiveness and increases flexibility while potentially reducing expense and legacy liability.

As the Village Board well knows, we have periodically been considering various fee increases related to these functions, and, indeed, have raised some in the last year. The process has been very frustrating for me personally, as we seem to have limited understanding of the actual fixed and variable costs of performing these functions. We have made fee decisions more based on what competing communities charge, not necessarily what they cost. This seems less than objective, and unfair to taxpayers and builders. This approach would solve this problem, and make unnecessary the periodic review of fees. The consumer pays 100% of the cost which is fair to them and other taxpayers. In that respect, it is no longer a fee as you are definitively externalizing the true cost of the services to the consumer as it should be.

I suggest the Village Board instruct the Public Works Committee to investigate the possibility of outsourcing additional or all aspects of the permitting and zoning review function. Again, I would suggest that this approach operate on a fixed timetable so as to expedite the outcome, whatever it is.

Dominican and Concordia

As non-profits, the two biggest property owners in the Village, Dominican and Concordia, pay no property taxes. However, they do consume Village services such as fire, police, and public works. Trustee Dudek first introduced the possibility that we explore ways to impose a fee in lieu of property taxes or directly charge these entities for the services used. I was surprised by

the degree to which the Citizen's Committee supported the possibility of recouping costs from these entities, and believe that there is significant taxpayer support for these initiatives.

I, like many, am conflicted by the possible need to do this. Personally, as a father of four (nearly five), I can personally attest to the many benefits my family has secured from Concordia from the generous and liberal use they allow Village residents and organizations of their track, gym, pool and other facilities that we are otherwise lacking in the Village. They have been an excellent neighbor. Others I am sure will step forward to say the same about Dominican. However, all of our families are in essence non-profits as well, and we are not exempt from property taxes. The dire financial situation demands we consider things thought unthinkable in years past. The possibilities range from a student based fee to charging the schools directly for the number of fire and police calls. Perhaps we can develop a monetary measure of the services the schools provide the community so that we can objectively assess what, if anything, would be fair.

This idea, already endorsed for further study by the Citizens' Committee, should be studied intensively by the Village Board. As fiduciaries, we must study this and give the taxpayers their say. If there is one thing I have learned from my experience with the Police Committee, material change requires someone who is impassioned about an issue, with a formal mechanism to study and make recommendations. Otherwise, good ideas get delayed and ultimately forgotten. Thus, I suggest that the Village Board recommend this idea to the Legal Committee chaired by Trustee Dudek with clear instructions to study and make a report and recommendation according to a strict timetable.

Additional Line Items Deserving Review

The Village has functioned without an Assistant Village Administrator for a year. Serious consideration should be given to either eliminating this position from the organizational chart or merging it with the Treasurer position. Alternatively, consideration should be given to combining other positions within Administration. Outsourcing opportunities should be closely examined here as well.

In this difficult environment, all "assistant" job positions need to be closely examined for need, including the need for an Assistant Director in Public Works. Additional sharing of personnel between Public Works and Waterworks needs to be examined as well. Outsourcing of functions such as Water Billing Clerk and Civil Engineer should be considered. The need for three "crew leaders" between Public Works and Waterworks needs to be reviewed. I look forward to a detailed report from the Citizens Committee on the foregoing matters.

Leveraging Department Heads Experience

We on the Village Board are unpaid public servants and lack experience in many of the areas we supervise. Thus, we must rely on others, primarily our Administrator and Department Heads for meaningful change recommendations. It has always been my preference to have those most knowledgeable and responsible to drive expense reduction. I would prefer that we on the Village Board convey the seriousness of the problem to the managers, and allow them to select where and how to cut based on their considerable experience with hard goals for them to accomplish. I fear that the processes that we currently are following to drive change - relying primarily on a Citizen's Committee – conveniently allows us to abdicate our board responsibilities and unnecessarily delays/distorts critical decisions.

Interestingly, some of the best work product of the Citizens Committee was with respect to identifying and making expense reduction recommendations with respect to the 911 Dispatch Center, which is a combined effort of Oak Park, Elmwood Park and River Forest. The Committee identified specific things that could be addressed to reduce our share of the cost, perhaps dramatically. It is worth considering whether the fact that the Committee was so successful in this regard was precisely because there was no natural constituency among River Forest Department Heads to defend its budget.

Conclusion

While I feel there is shared discomfort on the Board with our financial situation, I don't perceive a sense of urgency or commitment for the type of meaningful structural change that will actually make a long-term difference in reducing expenses. It was most disheartening to see us use our economic development TIF funds – the seed corn we should be planting to become economically self-sufficient in years to come – to balance the budget this year. In my opinion, this was short-sighted and evidenced the lack of a coherent economic plan.

As to the future, the Board's Plan A) to "balance the budget" in future years: 1) relies on a series of fee hikes; **and** 2) the hope that the River Forest voters will pass a referendum to raise our sales tax; **and** 3) the state legislature will pass special legislation to relax home rule restrictions so we don't have to use the new receipts to reduce property taxes or fund our declining infrastructure (as currently required by law).

I am undecided on a sales tax hike, but will oppose any relaxation of the limitations on Home Rule. Home Rule allows the Village Board to circumvent property tax caps without having to submit it to the voters in a referendum. Tinkering with home rule limitations for select purposes is a slippery slope, especially in Springfield, where the desires of the voters are

routinely ignored and back-room deals commonly struck. And, if we do pass a sales tax hike, we should use it for the permitted purposes – fixing your street, solving flooding problems, or our many other infrastructure needs. Or, dare we even dream it, reducing your property taxes. Would that be so intolerable?

In this context, the Village Board seems intent on aggressively lobbying Springfield for just such assistance. Even if successful, it will do *nothing* to solve our current financial predicament, other than to distract the voters from the truth, as the following hypothetical Q and A reveals:

Question: Can Springfield pass *any* law that will reduce our current \$23-30MM pension deficit?

Answer: No, these benefits are constitutionally guaranteed and can only be reduced for future beneficiaries.

Question: Is there any chance Springfield will give River Forest money to make up our pension deficit?

Answer: No. The State has its own \$100,000,000,000+ pension deficit.

Question: Do your lobbying efforts in Springfield to give River Forest officials modified Home Rule power need approval by River Forest voters.

Answer: No, if successful, it will be imposed on River Forest voters by Springfield whether they want it or not, avoiding the need for a Home Rule referendum which would likely fail.

Question: And, even if successful in your Springfield lobbying efforts, do you intend to use the proceeds of a sales tax hike to reduce our outstanding pension deficit?

Answer: No. We intend to use it for general operating expenses because it is the position of the Village Board that we have cut just about everything that can be cut, and we are still far short of a “balanced budget.”

In other words, this approach is a “Hail Mary” pass that, even if successful, doesn’t solve our problem. Worse, it misleads the voters into thinking there is an easy way out of our dilemma, thus delaying support for the difficult but dramatic steps that need to be taken to actually address the problem. This new coziness with Springfield isn’t going to solve any of our problems, and may well make them far worse.

In conclusion, this Village Board needs to quit using budgetary gimmicks such as using TIF funds for general operating expenses (giving away the equivalent of \$3 to others for every \$1 back to the Village rather than cut \$1 in expenses) and immediately implement a Plan B that: 1) cuts

expenses aggressively; 2) doesn't primarily rely on higher taxes and fees; and 3) articulates a clear economic vision for the future. We must do everything possible to reduce expenses wherever possible before we even begin consideration of increased taxes and fees. There is real taxpayer pain out there. Long-time residents – your neighbors, other peoples' grandparents – are increasingly being forced to consider moving from the Village because they can no longer afford the ground rent we charge them in the form of property taxes. We need change, and quickly, and it must not be in the form of higher taxes and fees. The residents will no longer tolerate it.

Exhibit A



VILLAGE OF RIVER FOREST
RIVER FOREST POLICE PENSION FUND

Actuarial Valuation Report

For the Year

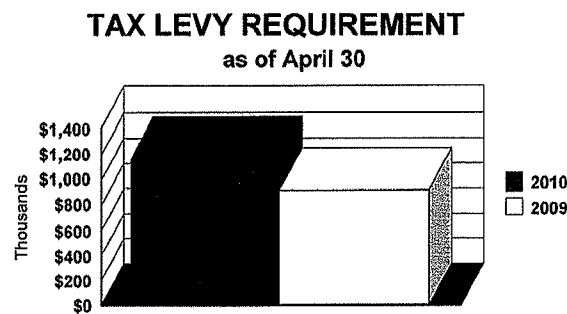
Beginning May 1, 2009

And Ending April 30, 2010

Timothy W. Sharpe, Actuary, Geneva, IL (630) 262-0600

SUMMARY OF RESULTS (Continued)

	For Year Ending April 30	
	<u>2010</u>	<u>2009</u>
Tax Levy Requirement	\$ 1,160,998	\$ 926,540
	as of May 1	
	<u>2009</u>	<u>2008</u>
Village Normal Cost	410,548	394,031
Anticipated Employee Contributions	238,584	220,331
Accrued Liability	29,697,223	28,121,700
Actuarial Value of Assets	15,032,713	17,471,716
Unfunded Accrued Liability/(Surplus)	14,664,510	10,649,984
Amortization of Unfunded Accrued Liability/(Surplus)	679,591	475,960
Percent Funded	50.6%	62.1%
Annual Payroll	\$ 2,407,508	\$ 2,223,321





VILLAGE OF RIVER FOREST
RIVER FOREST FIREFIGHTERS PENSION FUND

Actuarial Valuation Report

For the Year

Beginning May 1, 2009

And Ending April 30, 2010

Timothy W. Sharpe, Actuary, Geneva, IL (630) 262-0600

SUMMARY OF RESULTS (Continued)

	For Year Ending April 30	
	<u>2010</u>	<u>2009</u>
Tax Levy Requirement	\$ 741,819	\$ 551,977
	as of May 1	
	<u>2009</u>	<u>2008</u>
Village Normal Cost	256,472	250,476
Anticipated Employee Contributions	159,966	154,860
Accrued Liability	19,622,352	18,788,488
Actuarial Value of Assets	11,166,403	13,492,047
Unfunded Accrued Liability/(Surplus)	8,455,949	5,296,441
Amortization of Unfunded Accrued Liability/(Surplus)	433,592	262,991
Percent Funded	56.9%	71.8%
Annual Payroll	\$ 1,691,872	\$ 1,637,868

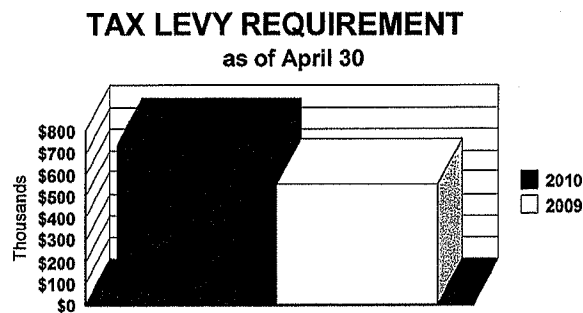


Exhibit B

Ten Year History of Full Time Staffing Levels
Fiscal Years 2000-2001 through 2009-2010

<u>Dept./Div.</u>	<u>Position</u>	<u>FY00-01</u>	<u>FY01-02</u>	<u>FY02-03</u>	<u>FY03-04</u>	<u>FY04-05</u>	<u>FY05-06</u>	<u>FY06-07</u>	<u>FY07-08</u>	<u>FY08-09</u>	<u>FY09-10</u>
GENERAL CORPORATE FUND											
<u>Administration:</u>	Village Administrator	1	1	1	1	1	1	1	1	1	1
	Treasurer	1	1	1	1	1	1	1	1	1	1
	Asst. Village Administrator	1	1	1	1	1	1	1	1	1	0
	Secretary	1	1	1	1	1	1	1	1	1	1
	Acctg. Supervisor	1	1	1	1	1	1	1	1	1	1
	Front Desk Clerk	1	1	1	1	1	1	1	1	1	1
	Sub-Total	6	6	6	6	6	6	6	6	6	5
<u>Police:</u>	Chief	1	1	1	1	1	1	1	1	1	1
	Deputy Chiefs	0	0	0	2	2	2	2	2	2	1
	Lieutenants	2	2	2	2	1	1	1	1	1	1
	Sergeants	6	6	6	4	5	5	5	5	5	5
	Patrol Officers	22	22	22	22	22	22	22	22	23	19
	Admin Service Off.	7	7	1	1	1	1	1	1	1	1
	OEO	1	1	1	1	1	1	0	0	0	0
	CSO	0	0	0	0	0	0	1	1	1	1
	Police Secretary	1	1	1	1	1	1	1	1	1	1
	Sub-Total	40	40	34	34	34	34	34	34	35	30
<u>Fire:</u>	Chief	1	1	1	1	1	1	1	1	1	1
	Deputy Chief	0	0	0	0	0	0	1	1	1	1
	Captain	1	1	1	1	1	1	0	0	0	0
	Lieutenants	4	4	4	4	5	5	5	5	5	5
	Firefighters/Paramedics	15	15	15	16	15	15	13	14	14	14
	Firefighters/EMT	0	0	0	0	0	0	2	1	1	1
	Sub-Total	21	21	21	22	22	22	22	22	22	22
<u>Public Works:</u>	Director	1	1	1	1	1	1	1	1	1	1
	Assist. Director	1	1	1	1	1	1	1	1	1	1
	Secretary	2	1	1	1	1	1	1	1	1	0
	Building/Zoning Insp II	0	0	0	0	1	1	1	1	1	1
	Building/Zoning Insp I	1	1	1	1	1	1	1	1	1	1
	Custodian	0	1	1	1	1	1	1	1	1	1
	Spt. Operations	1	1	1	1	1	1	1	1	1	1
	Crew Leader	2	2	2	2	2	2	2	2	2	2
	Maint. Workers I & II	7	7	7	7	7	7	7	7	6	5
	Sub-Total	15	15	15	15	16	16	16	16	15	13
General Fund Total		82	82	76	77	78	78	78	78	78	70
WATERWORKS & SEWERAGE FUND											
	Crew Leader	1	1	1	1	1	1	1	0	0	0
	Water operator	1	1	1	1	1	1	1	2	2	2
	Water Billing Clerk	1	0	0	0	1	1	1	1	1	1
	Civil Engineer	1	1	1	1	1	1	1	1	1	1
		4	3	3	3	4	4	4	4	4	4
GRAND TOTAL		86	85	79	80	82	82	82	82	82	74