

CALENDAR YEAR 2019 (CY2019) BUDGET

VILLAGE OF VILLA PARK

INTRODUCTION

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VILLAGE OF VILLA PARK, ILLINOIS
ANNUAL OPERATING BUDGET
CY2019



INTRODUCTION

INTRODUCTION

This section of the budget document is divided into six (6) categories as follows:

1) Budget Message

The Village Manager's Budget Message presents highlights and overviews of the current year's budget. It also discusses prior years' accomplishments, current year financial targets, strategic planning and other financial impacts on the proposed budget.

2) Budgetary Policies

Provides an overview of the policies established in preparing the proposed budget.

3) The Budget Process

Describes the legal authority in establishing the budget; how it is presented and justified; and the adoption and execution of the budget.

4) Strategic Plan & Mission Statement

Describes the process of the Village Board's establishment of the future vision of Villa Park.

5) Board Goals & Objectives

Summarizes the major goals and objectives established by the Village Board to be utilized in preparing the proposed budget.

6) Financial Policies

Provide overview of the guidance and direction used to develop the proposed budget and manage the fiscal resources of the Village.

7) Local Economic Condition and Outlook

Provides a snapshot of the current state of the Village and economic development efforts throughout the community.

8) Village History

A brief summary of the historical development of Villa Park



village of villa park

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Budget Message Calendar Year 2019

November 2, 2018

**Honorable President and Board of Trustees
 Village of Villa Park
 20 South Ardmore Avenue
 Villa Park, Illinois**

Ladies and Gentlemen:

We are pleased to submit the Annual Budget for the 12-month fiscal year beginning January 1, 2019 and ending December 31, 2019. This budget is a financial plan aimed at maintaining current service levels under a slow and fragile economic recovery while addressing the goals of the Village Board. The General operating fund is in balance with a positive operating income of \$22,470,747 for the 12-month CY2019 budget, compared to a projected year-end operating income of \$16,584,711 for the 8 months of SY18.

The Village is changing its budget and financial reporting year to align with the calendar year, starting in 2019. To make this transition, the last budget covered 8 months. The calendar year budget improves communication and capital project planning. We have used the terms Fiscal Year (used to define the annual budget and auditing reporting period from May 1 – April 30) and Stub Year (8 month fiscal period from May 1 – December 31). You will see the shortening FY18 and SY18 to refer to Fiscal Years and Stub Year. In the future, we will drop references to Fiscal Year and Stub Year as those years are no longer reported on our financial statements and will instead use terms such as Budget Year.

The transition leads to difficulty in comparing the 8-month period with other 12-month budgets. As such, when detailed line items are presented, the budget to budget comparisons have been “Annualized.” That is, the 8-month amount has been multiplied 1.5 to compare to a similar time period with the prior 12-month budget. Not all line items can compare easily in this manner. For example, property taxes are collected mostly during the 8 months of the Stub Year, so this will result in an odd-looking comparison. The sporadic comparison oddities can be deciphered as the reader reviews the detailed line items. It is much more difficult to make those comparisons when line items are presented on an aggregate basis. As such, aggregate financial reports have not been annualized. Comparisons between FY18 (the last full 12 month reporting year) and CY2019 are frequently presented.

The budget has been prepared in accordance with all applicable local, state, and federal laws. The Village of Villa Park operates under the Budget Officer Act, which requires that the budget be adopted prior to January 1 of each year. All required hearings and budget information meetings have been scheduled.

Budgeting entails multiple planning efforts, including strategic planning and capital improvements planning, all of which feed into the annual budget. Several discussions have been held with the Village Board to obtain feedback and direction in completing the annual operating budget. Balancing the budget continues to be a challenge as revenue increases more slowly relative to operating expenses and capital needs. With the State of Illinois continuing to deal with its dire financial situation, it remains unclear if the State will further reduce the revenue sources we have relied upon for decades. In recent years, the State operated without a budget. In recent years, the State's budget lowered the local share of income tax revenues and began charging administration fees on locally imposed sales taxes. The legislature has discussed several proposals that would freeze property taxes, and other proposals would continue the income tax reduction.

Preparation of the annual budget document began in August for the Finance Department. Budget forms, spending guidelines, and deadlines were presented to Village departments in September. Budget requests were submitted by the departments in early October. Review and analysis by the Finance Director, Budget Officer, and Village Manager began at that time. Budget meetings were held with each department and additional meetings were held to make necessary adjustments to the Budget to bring it into balance. The budget schedule requires Village Board approval of the document in December, following the necessary hearings and notifications.

BUDGET SUMMARY

The CY2019 budget anticipates \$61,620,381 (excluding interfund transfers) in total revenues. This represents a 40% increase from the FY18 actual revenue of \$44,026,643.

The budget anticipates \$57,057,319 in total expenditures (excluding interfund transfers). This represents a 31% overall increase over FY18 actual expenditures of \$43,587,019. We are continuing significant capital projects being paid from bond proceeds and low interest capital loans.

This budget has been constructed to accomplish the following:

- Providing sufficient funding to allow staff to maintain current service levels for our residents while recognizing that staffing levels are still well below 2009 levels.
- Maintain current staffing levels to ensure the public safety of both residents and businesses.
- Continue to ensure that the Village can provide adequate response to weather related and man-made emergencies.
- Continue to provide funding from the General Fund for needed building repairs, equipment replacement and priority initiatives.
- Continue to focus on development and property code enforcement in both residential and commercial areas.
- Continue funding for repair and enhancement of public spaces and recreational facilities to improve the quality of life for Village residents.

- Continue to search for new funding sources to provide funding for local road and other infrastructure projects.
- Replacing deteriorating vehicles and equipment to ensure an adequate fleet.

OUTLOOK

The State of Illinois continues to have significant budget issues. After two years without an operating budget, the State approved budgets that take funds away from local governments (as previously discussed). The State's fiscal 2019 budget included a lower reduction of income tax (from 10% to 5%) and lower administrative collection fee for non-home rule sales tax (rate reduced from 2.0% to 1.5%.) The Governor's seat is up for election, and there is no clear indication on future state policies that will impact the Village.

The local economy continues to show some signs of improvement. However, the loss of a significant sales tax producer has been a notable loss to sales tax revenue. Property values in the community have increased for the second straight year, after seven years of declines. With these increases, the Village's Equalized Assessed Valuation (EAV) has recovered about 30% of the decline experienced from 2009 to 2015. Revenue estimates continue to be conservative due to continuing uncertainty in the State. This year's budget was balanced by modest revenue increases and fiscal restraint with operating and capital expenses. There continues to be a focus on increasing the Village's overall collections of outstanding receivables, coordinating a newly hired collections agency and the Illinois Comptroller's debt interception program. The Village is continuing its wellness program for employees. In fact, our health insurance rates (effective July 1, 2018) remain flat. We have budgeted increases in some health insurance due to known, anticipated, or possible changes in employee coverage selections.

Some revenues are projected to grow, including places for eating taxes, video gaming taxes, parking permits and fees. Revenues expected to decline include utility taxes, franchise fees (for cable), red light enforcement fees, and parking machine usage.

Water conservation efforts continue to lower water consumption, but these decreases were anticipated when the Village implemented a new water and wastewater rate structure (needed due to significant water cost increases from the City of Chicago and DuPage Water Commission, our water suppliers), and is conducting an updated rate study to ensure adequate and appropriate rates going forward. We continue to see declines in utility tax revenue, which is consistent with historical trends. Property tax revenue that is available for general purposes continues to decline because more is being allocated to public safety pensions and tax levies for other funds.

The Village continues to maintain the balance between providing funds for capital replacement, keeping operating expenses down, maintaining services for our residents and funding the long term obligations of our public safety pensions. As the economic recovery continues, a major factor in balancing the operating budgets is continued restraint in filling previously vacated positions. However, the lower staff levels continue to challenge the delivery of Village services.

CY2019 Financial Targets

For CY2019, Village staff has continued to focus on the three financial targets, which are consistent with Village Board policies and recommendations, in preparation of the budget. These targets are intended to maintain the fiscal integrity of the Village by living within its financial means.

To that end, the proposed budget adheres to the following financial targets:

1. Balance operating expenditures with revenues anticipated during the budget year.

Staff is proposing a balanced General fund budget with revenues of \$22,470,747 and total General fund expenses of \$22,469,940. This includes \$885,500 in transfers to other funds for capital investment, operations and equipment. The expected General Fund ending fund balance is \$7,936,995.

The General Fund contains all of the unreserved fund balances. Funds not needed for operating purposes or as minimum reserves can be transferred to other funds as needed. Other funds generally have reserved or “earmarked” balances which must be used within the limits of each fund’s purpose.

2. Maintain a fund balance (reserves) in the Village General fund equal to a minimum 90 day operating cost in the general operating fund.

In Fiscal Year 2018, operational costs of \$61,234 per day were required to maintain Village services. A 90 day fund balance required \$5,511,077 in reserves. We are projecting a fund balance of \$8,831,926 to end Fiscal Year 2018 which equates to 144 days balance.

CY2019, operational costs of \$61,561 per day will be required to maintain Village services (General fund), which includes transfers to other funds. A 90-day fund balance will now require \$5,540,533 in reserves. We are projecting a fund balance of \$7,936,995 to end Calendar Year 2019, which equates to 129 days balance.

3. Submit a budget with minimal increases in non-labor expenditures and non-capital expenditures in the operating budget.

Many previous operating cuts will continue to be maintained for CY2019, although strategic priorities will drive increased efforts in certain areas. Capital spending has been removed from the operating budget since FY11-12 and budgeted in one of the capital funds as appropriate (Street Improvement, Other Capital, Equipment Replacement, Land and Building, Building Improvement Fund, Storm Water) as funds become available. No increases in staffing levels are proposed, although some realignment of positions will continue due to retirements and other factors. Cost increases are expected due to inflation and negotiated wage increases.

Budget Balancing Efforts for CY2019

As revenue growth remains modest, it remains a challenge to balance the budget through cost control alone. The direction given to staff by the Village Manager's Office was to minimize cost increases for contractual items, commodities and supplies. As the costs of labor, equipment and materials continue to increase, staff continues to look for ways to increase revenue, improve collection of outstanding receivables, control spending and operate more efficiently. Staff has and will continue to actively seek grants to boost revenue where possible.

Several expense accounts may increase significantly, most notably pension contributions and health insurance (benefits). To offset their impacts, we continuously seek cost containment methods and ways to increase our efficiency. Significant staffing changes have occurred during the past few years as the Village continues to consolidate and modify service delivery. Our mission is to maintain and to preserve our essential services.

The Village is also continuing additional efforts to provide additional funding for our public safety pension funds. In SY 18, we will be increased some fees and fines that had not been reviewed in several years, particularly fees and fines relating to public safety personnel. The new, incremental revenue, along with a portion of rollover bonds, will be provided to public safety pensions as additional contributions.

FUND SUMMARIES

The next several pages of this message provide an overview of the budget for each major fund or fund type.

General Fund

The General Fund budget includes a 1% reduction in expenditures from the previous FY18 actual, to \$22,469,940. Village contributions to Police and Fire pension funds are 11% greater than FY18, an increase of \$303,000. The operating expenditures are higher due to increases in salaries, benefits, commodities and contractual services.

The CY2019 budgeted revenues total \$22,470,747, or 3.1% higher than FY18 General Fund Revenues. Revenue changes include reductions to franchise fees and utility taxes. Moderate increases are expected for use taxes, video gaming and places for eating taxes.

The Village attained its goal of a 90 day fund balance in FY13-14 after several years well below that amount, mainly through continued cost containment. The Parks, Recreation and Swimming Pool Funds are partially funded through transfers from the General fund. In FY 2011-12 the Village began to take steps to see that these funds increase their self-sufficiency through modest fee increases and cost containment. In recent years, these funds have required additional General Fund transfer support.

The General fund transfers for equipment replacement and capital projects funds are determined annually. Capital funding is provided to the Street Improvement Fund and Capital Projects Fund through non-home rule sales tax (divided equally.) For CY2019, this sales tax totals \$3.0 million, and these funds must be used for streets and infrastructure. Starting in SY18, we will also utilize about \$640,000 from our non-home rule property taxing authority to issue Debt Service Extension Base (DSEB) rollover bonds, the proceeds of which can be used to purchase vehicles and

equipment. These rollover bonds can be issued annually, with proceeds each year varying, as a portion has already been earmarked for our TIF 3 debt restructuring strategy. The rollover bonds and sales taxes are insufficient to fully fund these capital needs, so we look to other sources whenever possible.

Other capital programs, such as land, building improvements, sidewalks, and other capital projects, do not have their own designated revenue sources. We have relied on grants, bond issues, and General Fund transfers to support these capital programs and to fund the shortfalls in existing revenue streams. In FY12-13 the Village began funding vehicle replacement through auctions and sales of fuel inefficient and confiscated vehicles. This will continue in CY2019, although additional revenue will be needed to fully fund the Village's equipment replacement needs.

Parks Fund

The Parks Fund budget as proposed includes an 8.3% increase in expenditures from the FY2018 budget to \$983,660. The Parks Fund projects a negative fund balance of at the end of CY2019. Its main sources of revenue include property taxes, General fund transfers, reimbursements from other funds and Hotel/Motel Tax Fund revenues. This fund must be watched closely since increases in expenses must generally be covered by the General fund, which also must cover any deficits.

Recreation Fund

The Recreation Fund budget as proposed includes a 3.5% increase in expenditures to \$1,604,790. The Recreation Fund relies on program fees, rentals, property tax, and transfers from the General Fund. The Recreation Fund projects a negative fund balance at the end of CY2019. This fund must be watched closely since increases in expenses must generally be covered by the General fund, which also must cover any deficits.

Other Fund Recap

Debt Service

In FY17, the Village refunded 2008 debt certificates that were paid from the North Avenue TIF (TIF 3). These Alternate Revenue Bonds will use the Village's Non-Home Rule Debt Service Extension Base levies to issue rollover bonds each year to cover that year's debt service payment, the first of which will be issued in late SY18. Faced with insufficient TIF increment dollars in the North Avenue TIF, the Village developed this plan to maintain level property tax supported debt payments while paying down the TIF debt. In addition to this strategy, we refunded the 2009A and 2009B bonds for savings during SY2018.

In November, 2014, Villa Park voters authorized issuing \$23 million in debt to repair streets throughout Villa Park. To take advantage of historically low interest rates, the Village issued two series of bonds in December, 2014, and February, 2015. The bond proceeds were deposited in the Road Improvement Fund. Debt payments, and associated property tax revenue began in FY2016. The Series 2014 bonds were issued in the amount of \$9,405,000 (par value) with maturities from 2026 (FY2027) through 2034 (FY2035) with a true interest cost of about 3.65%. The Series 2015 bonds were issued in the amount of \$8,850,000 (par value) with maturities from 2015 (FY2016) through 2025 (FY2026) with a true interest cost of 2.15%. The referendum authorization to issue the remaining \$4,745,000 expires in November, 2019. The final tranche of \$4,745,000 will be issued in 2019 and will be structured to result in level debt service payments (and level impact on property tax payers) through 2034, incorporating other potential refundings of debt.

In FY11-12 the Village refinanced Sugar Creek Golf Course debt certificates by refunding Debt Certificates 2003A and issuing \$1,120,000 in Refunding Debt Certificate 2011D. The Village has been working with the Elmhurst Park District to ensure that the golf course generates sufficient revenue to repay its debt obligations.

In April, 2017, voters approved a referendum for the Library to issue \$10.6 million to renovate, furnish and equip the Villa Park Public Library. These bonds were issued in two tranches (Series 2017C and 2018B). These bonds count against the Village's bond limits, but paid by the Library.

Also in April, 2017, voters approved a referendum for an additional 0.5% Non-Home Rule Sales Tax. These dollars are being used for underground infrastructure, which could include IEPA low interest loans, Alternate Revenue Bonds, or cash payments for current projects. We have issued two tranches of Alternate Revenue Bonds (Series 2017B and 2018A) totaling \$3.795M. A final \$3.05M tranche will be issued in 2019.

Future Debt

As previously discussed, the Village plans to issue the final tranche of the 2014 road referendum bond, the final tranche of Stormwater Bonds in 2019, and is planning on IEPA low interest loans for multiple water and wastewater projects.

Other Special Revenue Funds

The Village's special revenue funds include the Motor Fuel Tax Fund, Hotel/Motel Tax Fund, NEDSRA Special Recreation District Fund and the six Tax Increment Financing Funds. One TIF Fund (Target TIF) was closed on April 24, 2017, and will remain in the budget until we no longer report FY17 actual activity.

Motor Fuel Tax (MFT) proceeds are used for general street maintenance and other eligible street related activities established by State statute.

The Hotel/Motel Tax fund revenues are transferred into the Parks Fund each year and there is no change in this practice this year.

The Northeast DuPage Special Recreation Association (NEDSRA) Fund transfers property taxes to another taxing body and eligible expenditures are then reimbursed to the Village by the NEDSRA. There is an amount reserved each year that is used to reimburse the Village for eligible recreation related capital expenditures. In CY2019, we will be using NEDSRA funds for several improvements to various accessible playgrounds and to finish improvements at North Terrace Park.

The TIF funds derive their revenue through property taxes. The incremental EAV and TIF revenue have rebounded. TIF District #2 (Ovaltine TIF) is nearing expiration, but generates revenue to fund economic development activities and infrastructure improvements. An adjacent TIF (Kenilworth TIF, #5) was established in 2015. Capital improvements in TIF #5 will be funded by cash from TIF #2. TIF increment in TIF District #3 (North Avenue TIF) has been insufficient to cover increasing debt payments. As a result, the 2008 debt certificates were refunded (see previous discussion in the Debt Service Fund) in FY17, and we will begin to levy for the remaining bonds. This strategy was developed to minimize the impact on taxpayers, rolling all tax-supported debt into a single plan with level annual debt service payments. TIF District #4 (St. Charles Road TIF)

produces little revenue, which has been used for economic development activities. TIF #6 (North Ardmore/Vermont TIF) was established in 2015 to help develop the area around the Village's Metra commuter lot.

Capital Improvements Funds

These funds are comprised of all capital improvement funds excluding the Street Improvement Fund and Equipment Replacement Fund. They include the Capital Projects Fund, Land & Building Project Fund, Building Improvements Fund and the Stormwater Buyout Fund. The balances in these funds had been previously restored from the proceeds of a FY10-11 bond issue. A portion of the bond issue proceeds were used to fund building repairs and vehicle replacement in FY11-12 thru FY12-13.

Additional funding for capital projects is being provided by the voter approved 0.5% non-home rule sales tax, which went into effect July 1, 2017. This revenue will be used to pay for several different infrastructure projects accounted for in different funds. As such, we will collect this revenue in the Capital Projects Fund and transfer dollars as needed to other funds, including Stormwater Buyout Fund, Water Fund, and Wastewater Fund.

Capital Projects Fund

The Capital Projects Fund now has two cost centers. The Infrastructure cost center tracks the new 0.5% non-home rule sales tax, including transfers to other fund. The Sidewalk cost center includes funding for sidewalk replacement and funding for ADA sidewalk improvements throughout the community.

Building Improvement Fund

The Building Improvement Fund proposes several capital projects funded by General fund transfer. There are several facility improvements included in this year's budget, including swimming pool improvements, fire and security system improvements, Prairie Path gazebo restoration and window replacement at First Station 81.

Storm Water Buyout Fund

The Storm Water Fund derives funding from storm water permit related fees, grants and monthly Storm Water Fees that were implemented in FY2017. These monthly Storm Water Fees generate sufficient dollars to issue bonds for larger projects; a total of about \$7 million is being borrowed using Alternate Revenue Bonds (see the discussion in the debt section).

Projects in this year's budget include the Jackson Pond project and Astor Court/Myrtle. More details on these projects can be found in the Capital Improvement Program.

Street Improvements Fund

The Street Improvements Fund is where the majority of road reconstruction and resurfacing projects are budgeted. Ongoing funding for the Street Improvement Fund is primarily received from the one-half cent sales tax that is earmarked for projects in this fund. The other major funding sources are grants and general obligation bonds.

In November, 2014, voters approved issuing \$23,000,000 in bonds for road improvements, which was discussed in the Debt Service Fund section.

The total proposed expenditure for CY2019 is \$9,250,259 (including grants). Bond proceeds will fund \$4,230,824 of road projects. The remaining budget will be used for maintenance and construction activity funded by other non-road bond sources.

Equipment Replacement Fund

The Village's Equipment Replacement Program seeks to ensure that an adequate number of automobiles, trucks and equipment are provided to meet the current and future service needs of the Village. This program involves rehabilitation of existing vehicles, the purchase of new vehicles, and the re-purposing of vehicles that still have useful life remaining.

In CY2019, we will replace a Public Works aerial lift, and utility truck, Parks Maintenance truck, fleet vehicle, and three Police squad cars.

2019-2023 Capital Improvement Program

The 2019-2023 five-year CIP is a multi-year planning instrument used by the Village to identify needed capital projects and to coordinate the financing and timing of these capital improvements in such a way that maximizes the return to the public. The first year of the CIP, which is called the capital budget, is incorporated into the operating budget which, in turn, allocates funds for specific facilities, equipment and infrastructure improvements. Revenues to fund this program will come from bond proceeds, a dedicated non-home rule sales tax, water and sewer funds, grants, drainage fees, TIF revenues and General fund transfers.

Enterprise Funds

Enterprise Funds include the Water, Wastewater and the Swimming Pool Funds. The Water and Wastewater Funds are overseen by the Public Works Department and oversight for the Swimming Pool Fund is performed by the Parks and Recreation Department. The following is a brief overview of each fund:

The **Water Fund** budgeted operating expenses are projected to increase by 2% on an annualized basis, while capital (including engineering) will increase by 205%. The Village's water rate structure adopted in FY 13-14 incorporates the recommendations of a 2013 study which presented a plan for funding of future operating and capital costs. The successor study was completed, and a rate increase was implemented during mid-SY18. Expenses in the Water Fund include repayment of Illinois Environmental Protection Agency (IEPA) loans for previously completed projects. We are anticipating an additional IEPA water loan in the amount of \$2,601,400 to fund a portion of a capital expense. This low interest (2%) loan will then be repaid over 20 years.

The **Wastewater Fund** budgeted operating expenses are projected to increase 15% on an annualized basis, but would be a decrease without the new payments for IEPA loans. Capital expenses are significantly higher at \$6.7 million compared to \$1.6 million in SY18. The capital investment is funded by a monthly fee (implemented during FY17) as well as transfers from the new 0.5% non-home rule sales tax as discussed in the Capital Project Fund section earlier. Significant projects in this fund include sewer rehab program, Astor Court/ Myrtle sewer separation, and Monterey (Park to Highland) sewer separation. More details on these projects can be found in the Capital Improvement Plan. Other expenses in the Wastewater Fund include repayment of Illinois Environmental Protection Agency (IEPA) loans for previously completed projects. The Wastewater fund is also paying back an advance from the Street Improvement Fund

\$90,104 during CY2019 for the Park Boulevard project. The amount of the original advance was \$321,324. The amount due at the end of CY2019 will be \$81,046.

The **Swimming Pool Fund** proposed operating budget for CY2019 is \$194,204. For the 2018 season, Lufkin Pool, one of the Village's two swimming pools, was not open to the public. Lufkin Pool is 65 years old and requires significant investment to make the facility operational. The Village will continue to operate Jefferson Pool. As such, operational expenses, and related revenues, are lower due to this closure. As we have done for the past several years, \$50,000 is budgeted in the Buildings Fund to support the swimming facilities.

Personnel Summary

This budget continues includes the reduction of two Police positions, which are vacant due to departures or retirements.

In FY2015, two departments underwent structural changes. In an effort to streamline operations and focus on successful implementation of the road referendum projects, the Public Works Department has reorganized into two divisions: Operations and Engineering. The Finance Department was reorganized to two divisions, Operations and Accounting. In both departments, personnel were shifted for better oversight and management.

The Village has no unsettled union contracts. Existing contracts expire in 2020 and 2021.

Long term planning

The Village has multiple long term planning documents. The Village has an adopted strategic plan, adopted in 2013, that has been used to help guide long term decisions. Land use decisions are guided by the Comprehensive Plan, and our Zoning Code is being updated to reflect that planning effort. The Parks and Recreation Commission has developed a Parks and Recreation Master Plan for updating and improving the parklands and recreational opportunities, and the Village recently adopted a bicycle and pedestrian plan. There are many other plans and documents relating to other infrastructure programs, which are better addressed in the long term Capital Improvement Plan.

Our multi-year financial plans focus on capital spending, but operational spending is also reviewed on an internal basis. Left unchanged, we find that our General Fund revenues will continue to grow at about 0.1% annually, while expenditures will grow at about 2.4%. This significant imbalance would wipe out our available fund balance by 2023 without any changes. This helps focus our efforts on areas that drive cost (pensions, health care, personnel) and identify revenue issues or opportunities (utility tax declines, state reductions in revenue sharing).

Conclusion

The Village's cost containment efforts coupled with a conservative revenue increase have allowed the Village to maintain the General fund balance above the 90 day minimum. Keeping the fund balance at acceptable levels continues to be a challenge due to the overall sluggish recovery of some revenues and inflationary pressures on Village operating costs. Staff is again presenting a conservative budget, but with attention to priority programs, capital needs, and seeking additional funding for long term pension obligations. We will continue to focus on maximizing collection of money already owed to the Village. These efforts will hopefully continue to produce additional

revenues that can be used to fund previously deferred projects and initiatives. Targeted fee increases for programs that are currently below the norm may be increased to provide additional public safety pension funding. It is both the Village Board's and staff's goal to provide quality, cost effective Village services.

We are very pleased with the accomplishments of the Village Board and staff during this past year. We improved service levels in several areas through streamlining and increased inter-departmental cooperation, in spite of a slower than expected economic recovery. We thank the Board for their continued support and their willingness to accept new methods and procedures to accomplish our goals.

There are several keys to sustaining the re-establishment of our financial strength: supporting our existing businesses, re-establishing our housing stock, improving the physical appearance of the Village, and attracting new businesses and redevelopment. Staff continues to work in unison with the Village Board to meet our goals. We look forward to the challenges of the upcoming year and will continue to plan for major projects and initiatives throughout the community.

Finally, we would like to extend our sincere appreciation to Village staff members who contributed many hours of dedicated work to produce this document. We would also like to thank the Village Board members for their input into the budget process and for providing staff with the budget guidelines.

Respectfully submitted,

Rich Keehner, Jr.
Village Manager

VILLAGE OF VILLA PARK, ILLINOIS
Budgetary Policies
Calendar Year 2019

For CY2019 the Village Board established financial targets and goals to be met by staff in the preparation of the budget. These targets and goals are intended to maintain the fiscal integrity of the Village by living within its financial means.

1. Balance operating expenditures with revenues anticipated during the new budget year.

Staff shall submit a balanced proposed budget. The budget can be changed in any manner desired by the Village Board.

2. Creation of a fund balance reserve in the Village's general operating funds equal to 90 days of operating expenditures.

In CY2019, operational costs of \$61,561 per day will be required to maintain Village services (General fund). A 90-day fund balance requires \$5,540,533 in reserves. We are projecting a fund balance of \$7,936,995 to end CY2019, which equates to 129 days balance. Any positive budget variances will further increase the General fund balance.

3. The proposed budget should include service goals.

These goals will help management define and measure the qualitative and/or quantitative accomplishments and progress of each department. This is the seventeenth year the Village has established service goals.

4. Adhere to the financial management policies of the Village.

These policies assist in maintaining a favorable financial picture and the fiscal integrity of the Village.

5. Basis of Budgeting

The Village of Villa Park generally uses the cash basis for budgeting for all fund types in that encumbrances and depreciation are not budgeted. Village expenditures may not exceed the amounts appropriated in each fund. In the case of an emergency or a contingency, which was not reasonably foreseeable, a budget amendment would be required. The Village's budget for CY2019 is constructed on a calendar year basis (January 1 – December 31). This is the first calendar year budget. The Village operated with a May 1 – April 30 fiscal year prior to FY18, when we adopted an 8-month budget to transition.

The budget must present a complete financial plan for the Village setting forth all estimated expenditures, revenues, and other financing sources for the ensuing budget year, together with the corresponding figures for the previous fiscal year. In

estimating the anticipated revenues, consideration must be given to any unexpected surpluses and the historical percentage of tax collections. Further, the budget must show a balanced relationship between the total proposed expenditures and the total anticipated revenues with the inclusion of beginning funds.

6. Basis of Accounting (reported in the Comprehensive Annual Financial Report)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measureable and available.

More discussion and information on the Measurement Focus, Basis of Accounting and Financial Statement Presentation can be found in the Notes to the Financial Statements, Note 1 (Summary of Significant Accounting Policies) of the Village's Comprehensive Annual Financial Report.

7. Funds required for budget/appropriation

All Village funds, except funds for accounting purposes such as Cash Clearing, General Long Term Debt Account Group, etc. are included in the annual appropriation. All funds with a financial plan are budgeted, included in the budget document, and included in the Village Board approved budget.

VILLAGE OF VILLA PARK, ILLINOIS
The Budget Process
Calendar Year 2019

The Village follows these procedures in establishing the budgetary data:

- 1) The Village of Villa Park has adopted the Budget Officer System established in Illinois Compiled Statutes (ILCS 65, 5/8-2-9.1 through 5/8-2-9.10) providing for an annual municipal budget in lieu of the passage of an appropriation ordinance.
- 2) A formal public budget hearing and budget workshop(s) are conducted before the Village Board approves the budget.
- 3) Upon adoption, the approved budget becomes the authorization to expend funds in the new budget year.
- 4) The Budget Ordinance must be adopted prior to the start of the fiscal year and then filed with the County Clerk within 30 days of adoption, along with the Treasurer's Certified Estimate of Revenues.
- 5) At any time during the fiscal year the budget may be amended by a 2/3 vote of the Village Board. The Board may delete, add to, change or create sub-classes within object classes or even object classes themselves.
- 6) A budget is an annual plan of estimated expenditures and the proposed means of financing them. It is the method by which the Village delivers its services and programs to its residents for the fiscal year starting May 1, and ending the following December 31 (for SY2018). Starting in 2019, the budget year will begin January 1 and end December 31. After the budget is adopted, it then becomes a control mechanism by which to measure the resources expended to meet the approved objectives and to measure the adequacy of the fiscal plan.

This budget document represents the culmination of many months of review by Village staff and elected officials of preliminary reports and budget material. These preliminary materials are and have been available for public review at the Village Hall and on the Village's website: www.invillapark.com.

The budget is prepared under the joint efforts of the Village Manager's Office and the Finance Department and Village Departments. The Village Manager is responsible for presenting the document to the Village Board. The budget requests for the upcoming year are submitted by each department to the Finance Department in early January.

Listed below are the approximate dates for the preparation and adoption of the budget:

Village of Villa Park, IL
CY2019 Budget and 2018 Tax Levy Preparation Calendar

DAY	DATE	ACTIVITY	Staff	Village Board	Budget	Tax Levy
Friday	8/31/2018	Budget worksheets and budget preparation manual distributed to all department heads.	x			
Tuesday	9/11/2018	Discuss budget preparation process at Village Manager's staff meeting.	x			
Friday	9/28/2018	Budget and Capital Improvement Program (CIP) worksheets due to Finance Department.	x		x	
	10/1 to 10/5	Budget meetings with Department and Division heads to review draft copies of Budget and CIP.	x		x	
	10/22/2018	Estimating Resolution adopted (at least 20 days before adoption)		x		x
	11/2/2018	Distribute recommended Budget and CIP to Board and departments.	x	x	x	
	11/7/2018	Budget published online, at Village Hall and Library	x	x	x	
	11/16/2018	Truth in Taxation Hearing notice published (14-7 days before hearing)				x
	11/26/2018	Truth in Taxation Hearing (shall not coincide with the budget hearing) [35 ILCS 200/18-70]				x
Friday	11/30/2018	Budget Public Hearing notice published (14-7 before hearing)			x	
Monday	12/3/2018	Budget Workshop - operations and capital	x	x	x	
Monday	12/10/2018	Public Hearing (publish notice at least 7 days before hearing, make document available at least 7 days before hearing) [65/ILCS 5/8-2-9.9]	x	x	x	
Monday	12/10/2018	First reading of Budget Approval and Tax Levy Ordinances	x	x	x	x
Monday	12/17/2018	Second reading of Budget and Tax Levy Approvals. Board adopts Budget and five-year Capital Improvement Program, and tax levy ordinance	x	x	x	x

Subsequent to the adoption of the budget, the budgeted expenditures are recorded in the

general ledger and provide management with an ongoing visual indication of the amount of still available balances. Each month, budget reports are sent to department heads for their review and they recommend budget adjustments between their department line items when their operations cause a line item to exceed the budget amount. During the year, the Village Board may authorize budget amendments by a 2/3 majority vote.

Strategic Plan & Mission Statement

In August 2013, the Village Board and staff held a meeting in order to update the Village's strategic plan. In order to develop the plan, it was necessary to identify the vision for the community as shared by the staff and elected officials. A draft document has been prepared and submitted to the Village Board. It will be incorporated in future planning documents once formally adopted.

New mission statement:

“The Village is committed to providing superior municipal services in a responsive, effective, and fiscally responsible manner while maintaining a good quality of life for our residents and businesses alike.”

From the foundation of the mission statement, the Board and staff proceeded to identify two key result areas that formed the foundation of the strategic plan:

- **SUFFICIENT FUNDING** - To provide revenues for accelerating maintenance and improvement to Village infrastructure.
- **ECONOMIC DEVELOPMENT** - Assist property owners with development within the Village of Villa Park. This is particularly important in the Transit Oriented Development project area and the Tax Increment Financing Districts.

The Village of Villa Park adopted a new comprehensive plan in 2009. The Village's long term focus based on this plan sought a Village with a high quality-of-life, a healthy and attractive atmosphere, and a distinct identity by creating sustainable land use patterns; establishing an efficient and sustainable multi-modal transportation network; developing superior community facilities; building modern utilities infrastructure; nurturing a strong, diverse and self-sufficient economic base; and by fostering a diverse housing stock and preserving its historical legacy.

VILLAGE OF VILLA PARK, ILLINOIS
Board Goals and Objectives

Prior to the beginning of the budget process, the Village established goals and objectives for the upcoming fiscal year. The primary purpose of these goals and objectives is to set forth clear, concise and effective guidelines for managing the affairs of the Village and for establishing mechanisms necessary to ensure the orderly growth of the Village. The following is a summary of the goals and objectives:

- Enhance public safety in the community through education, police protection, prosecution of offenses, and continued implementation of the Crime Free Housing Program.
- Improve the public infrastructure through street reconstruction, resurfacing, and water/sewer projects throughout the community.
- Attract new business development to the Village of Villa Park in order to improve the local economy and the Village's tax base.
- Continue with North Avenue and St. Charles Road corridor redevelopment projects in order to revitalize those business areas.
- Provide cost effective programs and amenities for the community's benefit through Parks and Recreation programs.
- Continue increased property maintenance enforcement through the community to address blighted parcels.

FINANCIAL POLICIES

Financial policies provide guidance and direction while developing the operating, capital, and other budgets and managing the fiscal resources of the Village. Their framework lends to responsible long range planning. With these tools the Village continues its quality accounting practices per the Government Finance Officers' Association (GFOA) and Government Accounting Standards Board (GASB) guidelines.

The Village must follow general budget legal requirements established by Illinois law, DuPage County regulations and Municipal Code when preparing the annual budget.

Statutory Limitations

Illinois Compiled Statutes (50ILCS 330/), Illinois Municipal Budget Law and DuPage County filing requirements have regulations that certain timelines be met during the Village's budget process. According to State statute, a municipal government must adopt its annual budget (in lieu of the annual appropriation ordinance) prior to the start of the fiscal year because the Village operates under the Budget Officer provisions. The budget ordinance and certified estimate of revenues must be filed with the County Clerk's Office within 30 days of the adoption of the ordinance. In connection with the adoption of the Ordinance the State requires that..."Such budget and appropriations ordinance shall be prepared in tentative form by some person or persons designated by the governing body, and in such tentative form shall be made conveniently available to public inspection for at least thirty days prior to final action thereon."

The statute also requires at least one public hearing be held as to the budget and appropriation ordinance prior to final adoption and that public notice be given at least 7 days prior to the public hearing. The Statute allows for a municipality to pass a continuing annual budget ordinance.

Other statutory deadlines require that the government file its Tax Levy with the County Clerk's Office on or before the last Tuesday in December. In addition the government must file a "Truth in Taxation Certification" with its Tax Levy signed by the governing body's chief financial officer.

Basis of Accounting and Budgeting

The budget is prepared using the cash basis for both governmental and proprietary funds.

- Accruals and depreciation are not budgeted.
- Capital purchases and projects in proprietary funds are budgeted as expenses, regardless of any resulting fixed asset.
- For all funds, compensated absences expenditures are not recorded as earned. All continuing positions are budgeted at 100% annually. Any differences relating to use of leave time or other accruable leave is immaterial.
- Operating funds budget authority lapse at year end.

Budget Amendments

- Pursuant to 65 ILCS 5/8-2-9.6, by a vote of two-thirds of the members of the corporate authorities then holding office, the annual budget of the Village of Villa Park may be revised by deleting, adding to, changing or creating sub-classes within object classes and object classes themselves. No revision of the budget shall be made increasing the budget in the event funds are not available to effectuate the purpose of the revision.
- Budget transfers between funds require Board approval.
- The Budget Officer is authorized to make transfers between departments (within the same fund).
- Budgetary transfer authority within department non-personnel line items in the same fund is delegated to the Finance Director.

Operating Budget Preparation

- Develop a balanced budget whereby the sum of all revenues and others sources added to available fund balance does not exceed requested expenditures unless short term inter-fund borrowing will maintain fund liquidity and provide for cash resources to maintain operations.
- As directed by the Board of Trustees the Village of Villa Park is to adhere to a minimum 90 day operating cash balance to maintain General Fund balance per fiscal policy.
- Maintain Enterprise Fund working capital (Cash and Investments less Current Liabilities) balances at a level to pay for current operations.
- Assumptions used in developing the Revenue Projection and Long-Range Forecasts:
 - General fund revenue growth will be modest, but an increase is projected in several revenue accounts.
 - A slow but steady growth in revenues tied to economic activity is expected over the next few years.
 - The EAV has increased for SY18, the second year of increases following declines every year from 2008 to 2015.
 - Water consumption will continue to decline, but lost water is also on the decline.
 - Projections assume no changes in State shared revenue formulas.

Revenues

- The Village maintains a broad-based, well diversified portfolio of revenues.
- Forecasted revenues are adjusted annually based on historical trends or known information.
- In establishing the revenue estimates, various techniques and assumptions were used including the following:
 - Historical representations,
 - Economic factors, including inflation, retail sales and interest rates,
 - Legislative environment, and
 - Historical research by the Illinois Municipal League.

- Property Taxes have been increased to capture all new or improved Equalized Assessed Valuation (EAV) into the levy calculation. New EAV is defined as annexed property, expired TIF EAV, or permitted property improvements.
- Based upon the Five Year Financial Forecasts the base Levy (prior year's EAV) will be increased by an index to CPI.
- Projected property tax receipts for CY2019 are based on the 2018 tax levy, which will be billed and paid by residents during CY2019.
- All Village rates and fees are reviewed annually and adjusted if necessary.

Capital Projects

- Project costs of \$25,000 or more with a life of at least 20 years are included in the CIP. Other capital items are budgeted annually in one of the capital funds or directly in one of the enterprise funds.
- Impacts on the Village's future operating costs must be considered when planning projects and those costs/savings incorporated within the respective department's operating budgets.
- Capital Projects are adopted in whole with the intent that each project retains its budget authority until project completion.
- All projects must have identified and approved funding sources. Revenues to fund the program can come from TIF funds, user fees, grants, loans, bond proceeds, motor fuel taxes, private funding sources, enterprise funds, sale of assets, the non-home rule sales tax, or other special revenue sources.

Debt Management

- The Village has a legal bonded debt limit of 8.625% of the total equalized assessed valuation (EAV) of the taxable property within the Village boundaries.
- Debt service funds are established to account for the accumulation of resources for the repayment of general long-term debt principal and interest (other than repayments financed by proprietary funds).
- The Village's Debt Service fund is legal in nature and is established in accordance with state statutes and bond indentures.
- When advantageous to the Village the type of debt to be issued is General Obligation Debt with annual abatements to the Debt Service Levy based upon acquiring debt service resources from alternate revenue sources.
- Long-term debt is not to be issued to finance current operations.
- The maturity date of any debt will not exceed the reasonable expected useful life of the project financed.
- User fees related to enterprise fund debt must provide sufficient revenue to repay the principal and interest on that debt.
- Bond proceeds should be invested in the following order of priority: 1) safety, 2) liquidity, and 3) yield.
- All outstanding bonds should be monitored, including their Continuing Disclosure Undertakings, for potential issues that should be disclosed. At minimum, annual budgets,

audits, ratings changes (for Village and insurers), and payment defaults should be reported and disclosed to the MSRB.

- Bonds may be refunded to achieve any of a number of objectives, including debt restructuring, saving, among others.
- Bonds may be sold on the open market, through direct placement, or through an underwriter, after consultation with the Village's Financial Advisor.
- The Village will consult with an independent Financial Advisor to develop debt strategy and plan.

Fund Balance

The Village of Villa Park's Fund Balance/Net Position Policy establishes a minimum level at which the projected end-of-year fund balance/net position must observe, as a result of the constraints imposed upon the resources reported by the governmental and proprietary funds. This policy is established to provide financial stability, cash flow for operations, and the assurance that the Village of Villa Park (Village) will be able to respond to emergencies with fiscal strength.

Fund balances should be maintained as follows:

- General Fund shall maintain no less than three months of operating expenditures as unrestricted fund balance.
- Special Revenue funds will be targeted at a minimum of 25% of annual budgeted operating expenditures.
- Debt Service Fund accumulation of fund balance should be a maximum of the amount of the next principal and interest payment due.
- Capital Projects Funds have no minimum fund balance.
- Enterprise funds' unrestricted net position should be no less than three months of operations.

Investments

- The Village of Villa Park's Investment and Internal Control Policy is adopted by the Board of Trustees. In accordance with that policy, public funds will be invested in a manner which will provide the maximum security of principal invested with secondary emphasis on providing the highest yield while meeting the daily cash needs of the Village.
- The Investment and Internal Control Policy is reviewed annually and updated as needed. The current Policy was approved with Resolution 11-54 on August 8, 2011.
- All investments will conform to applicable State and Village statutes governing the investment of public funds.
- The Village's investment portfolio is reported to the Village Board each month.

Capital Assets

- The Village of Villa Park's capitalization policy is for items that have a life of at least two years and minimum cost of \$5,000.
- General capital assets are long-lived assets of the Village as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. In the

case of the initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities) the Village chose to include all such items regardless of their acquisition date. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

- Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets.
- Depreciated on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:
 - Building and Improvements 35 Years
 - Vehicles and Equipment 2-30 Years
 - Streets 35 Years
 - Storm and Sanitary Sewers and Water Mains 40-50 Years
 - Bridges 25-50 Years

Other Financial Policies

The Village has other finance related policies in place. Those include the following:

Purchasing	Resolution 17-94	December 4, 2017
Travel Expense Reimbursement	Resolution 17-64	September 25, 2017
Whistleblower protection	Village Manager directive	December 21, 2017

LOCAL ECONOMIC CONDITION AND OUTLOOK

Villa Park, "The Garden Village," is strategically located adjacent to interstate highways and rail lines. It is just 17 miles west of downtown Chicago and only 12 miles from O'Hare Airport. The Village is located in east central DuPage County, one of the fastest growing counties in the nation.

The Village currently has a land area of 4.6 square miles and a population of 21,904 (2010 U.S. Census). The Village is empowered to levy a property tax on real property located within its boundaries. The Village also has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the Village Board.

Villa Park operates under the Village Board/Manager form of government. Policy making and legislative authority are vested in the Village Board, which consists of a President and a six-member board of trustees. The board is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the Village Manager. The Village Manager is responsible for carrying out the policies and ordinances of the Village Board, for overseeing the day-to-day operations of the village and for appointing the heads of the village's departments. The Village President and Trustees are elected on a village-wide basis and hold office for a term of four years.

The Village of Villa Park's labor force of 11,383, accounts for 2.4% of the total labor force for DuPage County. Based on employment figures supplied by the Illinois Department of Employment Security in October 2017, Villa Park's annual unemployment rate was 4.1%. Villa Park's largest employers are either retail businesses (Wal-Mart, Target, Supreme Lobster, and Jewel Foods) or public administration (School Districts 45 and 88 and the Village of Villa Park). First Student, ConXAll Corporation, and MTS Titan Electric LLC are the largest industrial employers.

There are a number of new buildings presently under construction and several are planned for 2018. The Ingersoll Rand property at North Ave. and Ellsworth was recently purchased by CSI and is undergoing redevelopment. The salvage/junk yard on North Ave. that has been there since 1929 was recently purchased and is approved for a new Bucky's convenient store, gas station and car wash.

More Brewing Company completely renovated a building on S. Villa Ave. in the heart of the Olde Town Villa Ave. business district. This has sparked a great deal of interest in this area. The old post office on Kenilworth, west of Villa Avenue, was recently purchased. The new owners are planning to renovate the building and operate a tavern and snack/ice cream parlor.

123 S. Villa was recently purchased and planned to be redeveloped. A gateway to the Great Western Trail on S. Villa was completed and includes a patio area, brick and ironwork arch, new benches and garbage cans. This is to help identify the beginning of the Great Western Trail.

The Village owned property on the north side of North Ave. was sold and a new brick 20,000

square foot free standing building was built. Pet Supplies Plus is one of the new tenants and the other is proposed as a renal care facility.

Multiple building owners have applied for the new Façade Assistance Program in the Kenilworth TIF which provides 50% of the investment up to \$20,000. The area along Villa between St. Charles Road and Park Blvd. will continue to see new awnings, windows, doors, lighting, signage and painting.

On Roosevelt Road, Thornton's gas station has purchased the property on the northeast corner of Euclid. The property is currently in Oakbrook Terrace, but the property may be de-annexed from Oakbrook Terrace and then annexed into Villa Park.

HISTORY OF THE VILLAGE OF VILLA PARK

At the turn of the century, an electric railway called The Aurora, Elgin and Chicago streaked across the prairie farmland. This land was owned by German farmers: the Cables, Meyers, Karnstedt and Biermanns. They had settled here in the 1850's and 1860's.

Two subdivisions sprang up - Villa Park in 1908 and Ardmore in 1910. Summit Avenue was the dividing line. In 1914, the two were incorporated as Ardmore. In 1917, the name was changed to Villa Park.

Two wealthy men, 'Colonel' J.L. Calhoun and Charles C. Heisen, figured prominently in the early development. The Wander Company of Bern, Switzerland opened its only American plant, Ovaltine, in 1917.

The population boomed in the 1920's. The Aurora, Elgin and Chicago Railroad was largely responsible for the rapid growth. Professional and business people were attracted to 'country' living. Buyers of lots were given inducements of 20 apple trees or 200 baby chicks. Schools were built, churches opened, community organizations were formed and a 5¢ newspaper was introduced. Members of the Women's Club gathered books in a little red wagon for a library.

In the 1930's, when many banks closed, the Villa Park Trust & Savings Bank survived. The village grew rapidly during the post World War II period. The population soared from 8,000 to its peak of 25,000 in 1965. New churches came, businesses flourished, parks were created and a beautiful new library was built.

Today, Villa Park provides a good life for its 21,904 residents. They enjoy a 'small town' atmosphere, excellent schools, outstanding police and fire protection, 'state of the art' paramedic service and exceptional recreational facilities. Transportation is good and health services are outstanding. Service clubs are very active.

Villa Park residents are comfortable with a wide variety of housing and convenient shopping. An active society enabled Villa Park to have both Chicago, Aurora and Elgin Railroad stations placed on the National Register of Historic Places. Both railroad stations are located on the Illinois Prairie Path, a national Historic Trail. In 1988, Villa Park received the coveted Governor's Hometown Honorable Mention Award for their three-year volunteer campaign to install ornamental memorial lighting on the Villa Park Prairie Path.

In 2017, Villa Park was recognized by Money Magazine as the 8th best place to raise a family, and 28th best place to live in the United States.