COUNTY of McHENRY

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November 20, 2007

To: The Honorable Kenneth D. Koehler
County Board Members

From: Peter Austin, County Administrator
Ralph Sarbaugh, Associate County Administrator – Finance

RE: **The Fiscal Year 2007-2008 Budget**

It is with guarded confidence that we move the Fiscal Year 2007-2008 (FY08) budget forward for your approval. McHenry County remains on a solid financial footing due to the continued stewardship and conservative financial practices of the County Board, Elected Officials, Appointed Department Heads and employees of the County.

The strength of the national economy remains in question, and McHenry County is now realizing some of the impact of a slowing real estate market. With a slow down in population growth, revenue from housing and retail activity has experienced a mild downward trend. On a positive note, the McHenry County Jail facility with its bed rental program has met the expectation set by the County Board, by maintaining a continual high census rate and steady revenue stream.

While the County has been able to embark on many construction projects in recent years without jeopardizing its financial stability, there are still many significant expenditures facing the County that need to be cautiously addressed. The County is currently working on a campus planning project that will undoubtedly project millions of dollars in facilities needs in the coming years and the County needs to protect its ability to meet these facility needs.

We recommend that the FY08 budget not be expanded beyond the recommended levels presented to you here. We have reviewed each request by departments and feel that they are attempting to assist in keeping this budget within its boundaries. The County Administrator's Office commits to maintaining open communication throughout the year with each department and office of the County so we are aware of any unforeseen budget concerns as soon as possible.

The new budget as presented is $271,634,137. Property taxes of $69,718,507 will be levied and $160,283,415 will be derived from non-levy revenue sources. In addition, $41,632,215 of fund balance utilization has been allocated primarily for transportation projects and building projects. The General Fund budget will be $81,565,639.

In developing the FY08 budget, the following key objectives were met:

- A balanced budget is presented
- The five (5) month reserve is preserved
- Key fund balances are maintained
- Each supplemental request was provided consideration
- Funding of the merit pool was maintained

We welcome your thoughts and comments of the FY08 budget.