

**MINUTES OF LONG RANGE FINANCIAL PLANNING
VILLAGE WORKSHOP MEETING
VILLAGE OF DOWNERS GROVE**

May 19, 2009

THE GENERAL FUND: Revenues, Expenses & Reserves

Mayor Ron Sandack called the meeting to order at 7:50 p.m. in the Committee Room.

Council Members Present: Mayor Ron Sandack; Commissioners Marilyn Schnell, William Waldack, Sean P. Durkin, Geoff Neustadt, Bruce E. Beckman, Bob Barnett

Staff Present: Dave Fieldman, Village Manager; Judy Buttny, Finance Director; Mike Baker, Deputy Village Manager; Nan Newlon, Public Works Director; Tom Dabareiner, Community Development Director; Steve Sanderson, Budget Officer; Phil Ruscetti, Fire Chief; Doug Kozlowski, Communication Director, Enza Petrarca, Village Attorney; Bob Porter, Police Chief; Jim Black, Deputy Police Chief; Brandon Dieter, Management Analyst; April Holden, Village Clerk

Village Manager Dave Fieldman outlined the agenda for the session. He reviewed the purpose of long range financial planning:

- Develop long-term financial strategies and a long-term plan for future financial decisions
- Identify as a top priority in the 2008-09 Strategic Plan
- Apply analysis and financial forecasting
- Assist in the preparation of annual budgets

These sessions will provide multiple opportunities for input and discussion, allow for a dialogue among community, Council and staff, create awareness of issues and potential solutions, help develop a consensus for solutions and strategies, and create a three to five year plan.

He noted that while long range financial planning involve difficult and complicated decisions, it is manageable. Issues will be presented and discussed early in the process. Staff has prepared potential solutions and strategies that will be discussed in later sessions.

The Manager then reviewed the calendar:

- May 19 General fund revenues, expenses, reserves and projections
- June 2 Other funds, debt capacity and the tax levy
- July 7 Village services discussion, solutions and strategies
- July 21 Solutions and strategies
- August 4 Solutions and strategies, Strategic Plan, TCD3
- August 18 Strategic Plan, TCD3, conclusions

Mr. Fieldman provided historic information for purposes of trend analysis and to use the past to explain current conditions. He said the financial analysis is dating back to 1991-92.

Mr. Fieldman said the Village uses a multiple fund system. The General Fund is the chief operating fund and accounts for all revenues and offsetting receipts not earmarked by law for a specific purpose. It supports other funds lacking a sufficient designated revenue source. It can support any fund lacking revenues. The review of the General Fund will include revenues, expenses, reserves and projections. Mr. Fieldman said the focus in this presentation is Long Range Financial Planning – May 19, 2009 1

on total revenue in the General Fund.

Deputy Village Manager Mike Baker said total General Fund revenue is impacted by several variables including tax base, tax rate and allocations to other funds. He showed the breakdown of the FY09 adjusted budget of \$40,579,615 by revenue sources as follows: Sales tax 26%; Local property tax 22%; Income tax 11%; Utility taxes 18%; Fees, charges & fines 13%; Licenses and permits 2%; Hotel tax 2%; All other sources 6%. He then showed a trend line of total revenue since 1991-92. Mr. Fieldman noted that all the dollar figures are from audits and are in actual dollars.

Mr. Fieldman then compared total revenue and tax sources. Sales tax figures have been relatively flat and are the single largest source of revenue although it has declined over the last three years. Sales tax represented 47% of revenue in 1996 and now represents 27% of all revenue. In a comparison of sales tax categories from 1996 to 2008, the largest category remains Automotive Industry. The category showing the largest increase is Drinking and Eating Places; the sharpest decline is General Merchandise. There has been steady growth in property tax revenue. Income tax revenue is distributed by the State and tracks at a slight overall growth. The utility taxes hold steady over time. The Village has achieved greater diversification among major revenue sources but the current economy will threaten future revenue growth in the major revenue categories.

In response to comments from Council members, Mr. Fieldman said staff will prepare a report comparing our sales tax revenue to that of other communities. It was noted that 35 to 40% of the Village's revenue sources are unpredictable.

Finance Director Judy Buttny presented information regarding General Fund expenses. She provided expense information from 1991 to present and pointed out a decline in 1994-95 due to a change in the way in which capital expenditures are shown, a decline in 2004-05 due to transfers, and declines in FY08 and FY09 due to cost cutting measures put in place.

Ms. Buttny explained that personnel expenses are the largest portion of the General Fund expenses, at 74%. Personnel expenses are made up of salaries, benefits, pensions and post-employment benefits. Pension levels are set by the State. Levies are set by the pension boards and are not directly controlled by the Village. The medical inflation rate is higher than general inflation rates. Health fund expenses were \$2.5 million in 1996 and \$6.0 million in 2008. The benefits the Village offers are controlled by the Village. Retirees under the age 65 pay their full premium; the Village subsidizes the premium for those over 65. Post-employee benefit levels are above the minimum. Ms. Buttny then provided a General Fund staffing comparison. In 1996/97, the number of full-time equivalent employees was 364, personnel expenses totaled \$14,690,574 and personnel expenses represented 65% of total expenses. In the 2009 adjusted budget, the total full-time equivalent employees is 358, personnel expenses are budgeted at \$29,655,357 and represent 74% of total expenses. Non-personnel expenses have been flat.

With respect to reserves, the reserves, as a percentage of General Fund expenses, have fluctuated. To maintain a specified reserve percentage, the amount must change with expense levels.

Council members commented that sales tax revenue was used to fund reserves from the 1990s to 2001. At times, Council worked to bring down reserves. Staff will provide Council members with the fund balance policy. Reserve funds are not being used to fund the current budget.

Mr. Fieldman then discussed projections including solutions and strategies. He presented three approaches: Increase revenues to pay for current services, reduce services to match revenues, or a combination of increased revenues, expense reductions and planned use of reserves. All approaches include continued improvements in terms of both implementation efficiencies and policy level efficiencies. Service delivery model changes will be presented in future meetings.

Mayor Sandack referenced data from the Pew Institute that found that only one big city in the US, Pittsburgh, Pennsylvania, had a surplus this year. They made budget adjustments and service changes in 2002/03. Many cities are going through enormous difficulties. The Village is trying to be forward thinking to look at how we deliver services and how we pay for services in terms of revenue streams. The Council will have to make policy decisions.

The next meeting will be June 2, 2009.

The meeting was adjourned at 8:36 p.m.

April K. Holden
Village Clerk