

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

**July 21, 2009**

**Changes to Business Model**

Mayor Ron Sandack called the meeting to order at 7:33 p.m. in the Committee Room.

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

Absent: Commissioner Geoff Neustadt

Staff Present: Dave Fieldman, Village Manager; Judy Buttny, Finance Director; Mike Baker, Deputy Village Manager; Mike Millette, Assistant Director, Public Works; Tom Dabareiner, Community Development Director; Doug Kozlowski, Communication Director, Enza Petrarca, Village Attorney; Kurt Bluder, Deputy Police Chief; Bob Porter, Police Chief; Phil Ruscetti, Fire Chief; Jamie Belongia, Intern; April Holden, Village Clerk

**Village Manager Dave Fieldman** said this is the fourth long range financial planning meeting. The focus is solutions and strategies to address the General Fund structural gap.

Mr. Fieldman said long range financial planning offers multiple opportunities for input and discussion, allows for a dialogue among the community, Council and staff, creates awareness of issues and potential solutions, consensus for solutions and strategies, and creates a three to five year plan.

Mr. Fieldman said some of the issues are difficult and challenging but manageable in that issues and potential solutions are presented and discussed early in the process.

The Manager provided a summary and discussed the findings of the Village services exercise. Village services were divided into core, primary and secondary services. The Manager noted that, under the various categories, services are not listed in rank order.

**Core Services**

Emergency services (Fire, Medical, Police, etc.)

Solid waste collection

Infrastructure construction and maintenance for the stormwater, street and water systems

Village facility maintenance

Drug enforcement

Village Boards and Commissions

Life safety related to code enforcement and plan review

Economic development

**Primary Services**

Sidewalk construction and maintenance  
Parking lot maintenance  
Development, building, zoning and property maintenance; code enforcement and plan review  
Permit and license administration  
Public tree maintenance and planting  
Yard waste collection  
Customer communication and customer service responses  
Downtown initiatives  
Environmental sustainability efforts (green initiatives)  
Police and Fire public education  
Community presence of Village operating departments  
Staff training  
Traffic enforcement

### **Secondary Services**

Bikeway construction and maintenance  
Grove Commuter Shuttle  
Taxi subsidy program  
Social services  
Traffic calming  
Leaf collection  
Village funding programs (Sr. Citizen Council, Community Grants)  
DARE program  
Community events  
Downtown beautification  
Recycling extravaganza  
Historic preservation

**Chris Fregeau** asked about sidewalks as they relate to other capital projects. The Mayor noted that this was a prioritization exercise. He also noted the preference to do bundled projects to save taxpayer dollars and to allow all work in one area to be finished before moving onto the next area. The Manager said there were no dollar allocations as part of the prioritization exercise. Staff will use this information as a tool in budget preparation. Commissioner Barnett said sidewalk construction was not separated out from other infrastructure components. Each component—stormwater, street, water and sidewalk construction was considered separately.

**Marge Earl** said she was surprised that drug enforcement ranked so high and yet DARE ranked lower. The Manager said this may mean that the outcome is important to the Council and the community, but how we get to that outcome may be up for discussion.

Council members discussed the ranking exercise in terms of its potential usefulness when tough decisions have to be made, the fact that these rankings were done quickly, that they are a starting point for the Council and community, and that the rankings provide an initial indication of priorities. They will be further explored.

In terms of the General Fund strategies exercise, the Manager reiterated that the issue is that the current expenses exceed current revenues. He reviewed the potential strategies: Implement operating efficiencies; enhance the revenue base; reduce/eliminate Village services; reduce/eliminate Village funding programs; reduce/eliminate Village events; increase/enhance property tax revenue; and increase/enhance other revenue sources. He provided a summary of the results of this exercise. All Council member indicated support for using a mix of expense reduction and revenue enhancement efforts. A majority prefer a balance of expense reduction and revenue enhancement

efforts. A majority indicated support for reductions or eliminations to services, events and programs. Some indicated preference for expense reduction efforts. Some indicated preference for revenue enhancement efforts. There were varying levels of support for the degree to which the property tax levy and other revenues should be increased. There was good consensus and direction that all the strategies presented are still under consideration.

**Commissioner Schnell** commented that the differences among Council members is positive in that it is reflective of the public. It also presents a challenge to the Manager in terms of building consensus among the Council with respect to the budget.

**Mayor Sandack** reminded everyone that this is long range financial planning.

The Manager then turned to recommended strategies staff will present to address the General Fund. They are consistent with the exercises and directly related to the financial issues presented. He said all strategies from the exercise were supported such that no strategies were eliminated and no new strategies were introduced. Specificity has been added to move toward a three-year action plan. Mr. Fieldman provided details with respect to each strategy as follows:

Implement operating efficiencies – provide selected services, programs and events at existing levels but at reduced costs; focus on implementing operating efficiencies that reduce personnel costs.

Enhance the revenue base – implement the economic development plan to increase property values and sales tax base; actively pursue annexations with a net positive financial impact.

Reduce/eliminate services, events and programs – focus on lower priority services, events and programs, if possible; reduce or eliminate higher priority services, events and programs if there is a significant financial benefit.

Increase/enhance property tax revenue – increase the levy such that it results in a tax rate near the average tax rate of DuPage County municipalities; pledge the increase in the property tax levy for covering the costs of core services. In comparison with other DuPage County municipalities, the tax rate for Downers Grove is low.

Increase/enhance other revenue sources – increase existing revenue sources other than property tax; identify and implement new revenue sources; when possible, focus on revenue sources that are complimentary to the property tax.

Reduce personnel expenses – change employee benefit levels to reduce costs, promote cost effective use of benefits, and remain competitive with benefit levels offered by other municipalities; reduce the number of employees when operating efficiencies are achieved and when services, events and programs are reduced or eliminated.

Strategically use reserves – use existing reserves to assist in the transition to the new business model; increase reserves to approximately 40% of general fund expenses.

With respect to implementation, staff proposes in 2010 to reduce personnel costs by \$1 million; maintain non-personnel costs; increase the property tax levy by \$1.5 million; increase other revenues by \$1 million; use \$1 million of reserves. In 2011, staff proposes to contain personnel costs at market rates; maintain non-personnel costs, increase the property tax levy by \$1 million; increase other revenues by \$1 million; and increase reserves. In 2012, staff proposes to contain personnel costs at market rates; maintain non-personnel costs; increase the property tax levy by \$1 million; and increase reserves.

Council members discussed the decisions they must make in terms of the right mix of strategies, the reserve policy, personnel reductions and corresponding cuts in services. The current personnel level is lower than it was in 1996.

Commissioner Schnell said to increase the tax rate such that it would be near the average of the taxing bodies in DuPage County rather than among the lowest rates is unrealistic in this economy. The tax rates should not increase to that extent. She wants residents to be able to stay in their homes. She suggested looking at under assessments as a strategy. Due to the economy, reassessments will be lower than present rates and police and fire pensions will continue to go up. She said she could not support a property tax increase based on these factors.

**Commissioner Beckman** asked as to the timeframe regarding a tax levy increase. Mr. Fieldman said it is a three to five year timeframe. Commissioner Beckman asked what a tax levy increase would do to the Village's financial picture. Mr. Fieldman said property tax is a very predictable revenue source.

**Commissioner Barnett** said that, while no one likes taxes, he expects that people will continue to want core services at the existing levels regardless of an economic rebound.

Staff estimated that the cost of the core services is \$25 to \$30 million of a \$40 million Village budget. The property tax levy is approximately \$11 million.

**Commissioner Durkin** said the majority of a resident's tax bill goes to organizations over which the Village has no control. An education process will be needed as to the tax levy both in terms of what an increase would support or what would be cut if taxes are not raised.

Commissioner Schnell asked what was factored into the staff's report as a rebound in sales tax. Mr. Fieldman said projections are for a flat sales tax for the next two years, followed by increases in years three, four and five. He noted that the Village has a heavy reliance on the auto industry and that revenue may not come back in the short term. Further, economic development activity may take a year or so to take effect.

**Commissioner Waldack** said other revenue sources, such as fees, concern him as property taxes can be itemized and deducted on federal income tax returns and fees cannot. He noted that the goal is to be near the average of the taxing bodies in DuPage County makes the assumption that the other communities are using their money wisely. There should always be a reluctance to raise property taxes. If increases are justified to the public, he believes the public will accept them. The goal, in and of itself, should not be to raise the taxes to the average level in DuPage County.

Commissioner Durkin said the Village is the fourth lowest of the taxing bodies.

Mr. Fieldman said it appeared to staff that at one time there was a philosophy that the Village should enhance other revenues with the strategy of keeping the property tax levy as low as possible. Staff is now asking if that strategy should be reviewed as the Village would still remain competitive with other municipalities if the tax rate were to be increased.

Commissioner Barnett suggested that the goal should be that our services are properly funded and that the funding is done in a predictable way.

The Mayor said because the Village wants to stay competitive, he does not see the home rule sales tax increasing at this time. The Mayor referenced a community with a lower tax rate than Downers Grove, but with no reserves and finding itself in a position where they can no longer maintain that tax rate. He said the Village has traditionally had a low property tax levy. People look at the tax bill as a whole. He said the Village's portion needs to be examined in terms of whether it is fair and reasonable and in terms of what services people get for that tax. He discussed the value of attaching revenue sources distinctly to services.

**John Schofield** agreed that citizens look at the whole tax bill. He complimented the Council on their open discussion and said he would like to see other taxing bodies do the same.

Mr. Fieldman then discussed changes in the Village's business model. He said substantial financial challenges suggest a need to change our business model that are consistent with the solutions and strategies and focus on operational efficiencies. Staff provided an overview of three proposed changes to Village operations that will be action items on the long range financial plan. This is not meant to be a policy discussion to decide upon these changes; these are examples. These will require future Council consideration and a vote at Council meetings.

The proposed changes are an annexation initiative, Fire Department operations, and stormwater utility. These items will be presented to the Council Standing committees for further public vetting.

### **Annexation Initiative**

**Tom Dabareiner**, Director, Community Development, provided information on this proposal. An annexation initiative would be a change in the business model. It is a "grow the base" strategy that has a positive financial impact when revenues exceed expenses. The Village is not actively annexing parcels and this proposal is to actively pursue annexations with a positive financial impact. Positive financial impacts occur when there are strong property values, when there are people residing in the area to be annexed, when there are low incremental service costs, and when there are average or low infrastructure needs. He provided examples of anticipated revenues and expenses of an annexation.

Mr. Dabareiner depicted the planning jurisdiction where the Village could expand its boundaries. He said that staff has analyzed the impacts of annexing the Fairview and 39<sup>th</sup> Street area. It is uniquely ready for annexation. It is the second largest unincorporated area that is wholly surrounded by Downers Grove, Westmont and Oak Brook made up of approximately 175 households with an estimated population of 424. It contains approximately 144 acres and a total billable EAV of \$34,648,782. Annual estimated revenues would be \$235,000. The annexations would increase the Village EAV, increase per capita revenue and increase other revenue sources. Annual estimated expenses would be \$80,000. There would be minimal incremental service costs and typical infrastructure costs. It is estimated that there would be a positive net financial impact of \$875,000 to \$1.3 million in net present value in a ten year period. Mr. Dabareiner said the strategy is to analyze the impacts of annexing areas within the planning boundary, actively pursue annexation of areas with positive financial impact, and annex selected areas within one to five years. He reiterated that annexations are part of the "grow the base" strategy.

Mr. Fieldman said further discussions will be held regarding annexations as there are policy and operational considerations. He said the Village has agreements with our surrounding communities over planning areas. Mr. Dabareiner said the timeframe for the annexations would be ten years.

Commissioner Schnell noted that this initiative would allow a property tax increase to be spread among more households.

Commissioner Waldack questioned the gap between the estimated revenues of \$235,000 and expenses of \$80,000. Mr. Dabareiner said if new infrastructure had to be installed or if new services had to be provided, the costs might exceed the revenue. In the area being discussed, the Village is already providing water and fire service, and the infrastructure is up to par. He noted that the Village would have ongoing responsibility for the streets.

The Mayor said he liked this concept and commended the staff on being innovative.

### **Fire Department Operations**

**Phil Ruscetti**, Fire Chief, provided information on this proposal. This represents an operating efficiency. The proposal is to operate an engine and ambulance jointly from the Darien-Woodridge Belmont Station, resulting in a

service enhancement for both communities that would maintain response time per standards and reduce costs. He provided background on current fire and emergency medical service (EMS) levels. Fire service and EMS are core services of the Fire Department. Downers Grove has four stations each operating three 24-hour shifts. There are a minimum of 18 firefighters per shift, 5,600 calls for service annually, and a response time of less than six minutes. The majority of the calls are EMS. The Fire Department has a system of mutual aid. He reviewed a chart depicting a ten year history of calls for service, most of which are EMS calls. In terms of actual structure fires, Chief Ruscetti said there were 25 fires in 1998 and 5 in 2008. The decrease is due to fire prevention and public education efforts. The Chief said in many respects the Fire Department operates as an EMS department.

Chief Ruscetti then discussed long term plans. In 1999 a station location study was conducted. Key recommendations were to construct a new Station 2 at 55<sup>th</sup> & Main Streets centralizing a ladder truck and squad to result in improved operating efficiencies and reduced costs by closing Station 1. The Chief showed a slide depicting the fire station locations, the number of personnel and equipment at each location, the percent of calls per station, and the response times. He then proposed moving Station 1 1.3 miles southeast to the Darien-Woodridge Belmont Station. Downers Grove would staff this station with two firefighters. He reviewed additional efficiency enhancements that would be realized in terms of equipment and personnel as well as response time enhancements.

Chief Ruscetti said the Village and Darien-Woodridge have a history of effective mutual aid. He also referenced the temporary use of the Belmont station during the construction of Station 2 in 2007 which resulted in service enhancements for both communities, response times that met standards and no operational issues. In conclusion, Chief Ruscetti said that an analysis of this proposal indicates service enhancements for both communities in terms of engine and ambulance response in the service area, the ability to maintain three engines and increasing the number of ambulances from three to four. Response times would be maintained. Costs would be reduced due to reducing the Downers Grove shift minimum from 18 to 17 and reduced overtime costs resulting in an estimated annual personnel savings of \$200,000.00.

The Mayor said this is an extraordinary example of being innovative.

Council discussed whether the Village would need to purchase another ambulance. Chief Ruscetti said the Village has a reserve ambulance. He said both communities will share resources. With respect to standardization of equipment, the Chief said that the department that owns the equipment would operate it. The departments would have to work together more on training. With respect to the area in which the ambulance would be used, the Chief said it would be utilized in the entire area.

The Manager said details of this proposal will be discussed at the Standing Committee.

### **Stormwater Utility**

**Mike Millette**, Assistant Director, Public Works, provided information on a stormwater utility. This represents a revenue enhancement strategy. It addresses a financial gap in infrastructure and facilities. The stormwater system is currently operated using traditional funding sources. The proposal is to operate the stormwater system as a utility. Mr. Millette provided a definition of a public utility as “a business organization (such as an electric company) performing a public service and subject to special governmental regulation.” Components of a stormwater utility would be to determine costs of owning, operating and maintaining the stormwater system, to establish fees and charges to cover the stormwater system costs and to charge customers for their use of the stormwater system. There are over 600 stormwater utilities in the US. Illinois municipalities with stormwater utilities include Rolling Meadows, Moline, Rock Island and Bloomingdale. Charges are billed separately from taxes and the utility can be stand-alone or merged with an existing department or utility. Fees are based upon runoff generated by each property. A key component is to allow credits for on-site stormwater improvements. A stormwater utility can be used for regulatory compliance.

Mr. Millette then reviewed benefits of a stormwater utility. It is a predictable funding source that allows for better planning. It is equitable and is based on impervious area. It fills the gap caused by the National Pollutant Discharge Elimination System II (NPDES) “unfunded mandate” whereby stormwater must be treated. It ties a funding source directly to the service provided and it covers the costs of operating the stormwater system. Potential drawbacks include a perception that a stormwater utility fee is a tax, the initial administrative costs for development of the ordinance, bill system and public education, and a minor administrative cost increase for billing and customer increase.

Mr. Millette described the Downers Grove stormwater system and provided information as to the watersheds. There are 128 miles of storm sewer pipe, 9 miles of culverts, 70 miles of ditches, 7,000 structures such as inlets, manholes, etc., and 11 stream-miles. Maintenance of the stormwater system includes structure maintenance, sewer cleaning, ditching, storage facility inspection and maintenance, creek maintenance, requirements of NPEDS, and activities and service levels per the stormwater maintenance plan. Stormwater capital needs include construction of new storage facilities, expansion of existing storage facilities, construction of new sewers and construction activities per the Watershed Infrastructure Improvement Plan. The annual maintenance cost of the stormwater system is \$825,000; capital costs over the next five years are estimated at \$36.7 million, resulting in an estimated annual need of \$8 million.

Mr. Millette concluded by saying that the Village is currently operating the stormwater system using traditional funding. The proposal is to operate the system as a utility to be created within two to three years.

The Mayor said Commissioners Schnell and Tully served on a subcommittee that looked at this issue. He also noted that the County has discussed this and may preempt the Village’s efforts. He said this issue needs to be carefully considered as part of a long-term financial plan. The requirements for clean water are more and more onerous. They are taxing, expensive and more regulations will be coming forth.

Commissioner Schnell asked what effect a stormwater utility would have on dedicated property taxes and home rule sales tax. Mr. Fieldman said traditional funding sources would still be tied to the bonds, but this may provide the opportunity to shift and enhance revenues.

Commissioner Waldack said he attended many of the stormwater utility meetings. The question is whether we collect this through property tax or a stormwater utility. Property taxes can be itemized and deducted on federal income tax returns. As a separate utility, the same amount of money would be collected. The Mayor commented that, as a separate utility, this fee would be user based depending on the impervious area. Commissioner Waldack responded that there would be costs to determine the impervious space. Stormwater could be handled in a variety of ways on the same size lot and yet people would be billed the same unless every property is examined. This would add bureaucracy to the process. The Mayor said the idea would be to get best practices implemented.

The Manager said the next meeting will focus on alternative revenue.

The meeting was adjourned at 9:20 p.m.

April K. Holden  
Village Clerk