

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

September 1, 2009

Summary and Conclusions

Mayor Ron Sandack called the meeting to order at 8:00 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, Geoff Neustadt

Staff Present: Dave Fieldman, Village Manager; Judy Buttny, Finance Director; Mike Baker, Deputy Village Manager; Tom Dabareiner, Community Development Director; Doug Kozlowski, Communication Director; Bob Porter, Police Chief; Jim Jackson, Acting Fire Chief; Jeff Pindelski, Acting Deputy Fire Chief; Andy Matejcek, Director, Counseling and Social Services; Steve Sanderson, Budget Officer; Brandon Dieter, Management Analyst; Wes Morgan, Human Resources Director; Enza Petrarca, Village Attorney; April Holden, Village Clerk

Village Manager Dave Fieldman said this is the final long range financial planning session. The purpose is to summarize the meetings held since May 19.

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.

He noted that while long range financial planning involves difficult and complicated decisions, it is manageable. Issues were presented and discussed. Staff prepared potential solutions and strategies that were discussed and will continue to be discussed.

Mr. Fieldman said he would like to review the following: Issue identification, potential solutions, recommended strategies, recommended three-year plan, 2010 action items, and next steps.

In terms of issue identification, Mr. Fieldman reviewed revenues and expenses. Existing revenues are not keeping up with existing expenses. He reviewed a chart presented at earlier sessions showing the revenue and expense mix over multiple fiscal years. Over the last four years, revenue has been decreasing. Sales tax revenue has been flat since 1992. He then compared the four major revenue sources – sales tax, property tax, utility tax and income tax – from 1996 to present. Mr. Fieldman then turned to expenses. Expenses showed yearly increases until the last four years. He noted that while personnel expenses have gone up over time, nonpersonnel expenses have remained remarkably flat. He said the expenses related

to personnel have increased but that those increases are not due to additional staff.

Mr. Fieldman said the key findings in terms of revenues and expenses are that existing revenues are growing at a slower rate than existing expenses resulting in a projected deficit in future years which suggests a need to make changes to our business model.

Mr. Fieldman then reviewed infrastructure and facilities funding sources and needs. There is a significant gap in terms of needs and available funding. Mr. Fieldman discussed the debt service. The Village currently has a moderate level of debt in the short term and a low level of debt in future years. There is debt capacity available in future years, but a need to pledge revenue sources to the debt.

In terms of potential solutions, Mr. Fieldman reviewed the two Council exercises: Village services, and solutions and strategies. He reviewed core, primary and secondary Village services identified by Council. Mr. Fieldman summarized the solutions and strategies. He said all Council members 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. The strategies that were recommended are consistent with the services exercise results as well as the solutions and strategies exercise results. The strategies are directly related to the financial issues previously presented. All of the strategies from the exercise were supported. He reviewed the four basic strategies: Expense reductions, property tax levy increase, other revenue increases, and use of reserves. The strategy for 2010 includes reducing expenses by \$2.0 million; increasing the property tax levy for General Fund operations by \$500,000; increasing other revenue sources by \$1 million; and using \$1 million of reserves. In 2011, the strategy is to contain expenses; increase the property tax levy for General Fund operations by \$500,000; capture a full year of other revenue increases; and maintain reserves. In 2012, the strategy is to contain expenses, increase the property tax levy for General Fund operations by \$500,000; and begin replenishing reserves. Implementation of the long range financial plan would result in balanced and sustainable expenses and revenues.

With respect to the impact of the property tax levy, Mr. Fieldman said each \$500,000 increase in the levy is about \$20 per year increase in property tax based on an EAV of \$100,000. He reviewed a tax bill and said that a homeowner of a house with an EAV of \$100,000 currently pays approximately \$434.00 in Village taxes out of a total tax bill of \$4,380.

Mr. Fieldman reviewed options for enhanced and alternative revenues. He then reviewed recommended strategies for infrastructure and facilities needs, including prioritizing infrastructure and facility needs, issuing debt, pledging revenue sources, and implementation beginning in 2012.

In terms of action agendas, Mr. Fieldman outlined the following: The 2010 action agenda includes a partnership with Darien-Woodridge; prepare for stormwater utility creation; analyze and consider annexations within planning boundary; implement economic development plan; update fees for services; update reserve policy; and improve risk management.

In conclusion, Mr. Fieldman discussed next steps to include Council consideration of the long range financial plan and the FY10 proposed budget resulting in the adoption of the long range financial plan, the FY10 budget and the strategic plan.

Commissioner Schnell said the discussion regarding raising property taxes assumes that sales taxes will remain flat. She would like to see flexibility in the event that sales tax revenue increases or there are other changes.

Mayor Sandack noted that there has been no growth in sales tax in 20 years.

Mr. Fieldman said there will be flexibility in the plan and Council can make adjustments. He noted that one might have expected an increase in sales tax revenue in the 1990s, but that did not happen.

Commissioner Schnell said historically when sales tax revenue did not keep up with expenses, property taxes were raised.

Mike Baker, Deputy Village Manager, said the sales tax revenue figures are net figures. Any applicable rebates have been netted out.

Commissioner Barnett said as the budget grew, the increased revenue did not come from sales tax. It came from taxes to our residents.

The Mayor commented that the Village is a fairly built-out community. The main commercial entity for sales tax revenue has been car dealerships. That revenue will stay flat absent significant changes in our business partners. Sales tax revenue may decline as our residents shop elsewhere.

Commissioner Waldack discussed the “Cash for Clunkers” and related stimulus programs which may result in an initial rise in sales tax and a drop upon termination of the programs. These planning sessions call for the use of reserves. Commissioner Waldack suggested that increased sales tax revenue could be applied to the reserves and the other strategies could be carried out as planned.

Commissioner Schnell said she is concerned about raising property taxes as the Village will also raise taxes due to the pensions. If there is an opportunity to adjust the property tax, she would want to do so.

Commissioner Neustadt referenced the debt capacity available in future years. In 2012, the Village would still be in the middle of the moderate level. He asked as to the schedule for the three-year cycle. The next cycle would be 2013. Manager said the goal is to stay within the middle of the moderate zone.

Commissioner Beckman asked as to the impact of debt on our bond rating.

The Manager said the leap between a AA+ and a AAA rating is a big leap.

Commissioner Beckman said there is a drop at the end of 2012 and asked if this would result in any appreciable impact on our bond rating.

Commissioner Durkin said it depends on the historical background. He said it is important to consider what a AAA rating will do for a community. He noted that a AA+ rating is a desirable rating.

Commissioner Beckman said he looks forward to the next step to formulate the budget and manage

revenues and expenses.

John Schofield, asked how the TCD3 report would factor into the long range financial plan. Mr. Fieldman said the TCD3 report would be presented in late September. He said TCD3 is designed to be long term. It is unlikely that implementation would need to begin in 2010. Staff feels that the issue of better partnerships with the overlapping governments and better communication with our neighborhood associations could be started immediately and is in the draft Strategic Plan that the Council will consider. It is the intention that TCD3 activities will translate into line items in the budget.

A resident asked about video gaming. The Mayor said staff is waiting for the rules from the Video Gaming Board. This is not being considered for 2010.

The Mayor said that with respect to the budget, this is a solid plan. We need to have some flexibility. He noted the need to be conservative and to expect the current economic conditions to continue. He would like to see revenues attached to services and noted that this has not been done before. The Village provides many services and suggested it may be necessary to narrow the focus and do core services exceptionally well. Maybe some events and programs should be privatized. He said the budget will be very difficult.

Commissioner Durkin asked about other opportunities to refinance bonds. Mr. Fieldman said these opportunities come up quickly. Staff is exploring a standing parameters ordinance which would provide flexibility to capture refinancing savings.

Commissioner Durkin discussed the opportunities to merge fire services. He asked about the funds from the sale of the property. Mr. Fieldman said no plans have been made for the asset. Staff is concentrating on the operational issues.

Commissioner Durkin discussed how difficult it is to consider raising taxes. Given a \$40 million budget, he hopes \$500,000 can be found such that taxes will not have to be raised.

The Mayor agreed that no one wants to raise taxes or consider any of the other items under discussion.

The Manager clarified that the plan is to cut \$2 million, raise property taxes by \$500,000 and increase other revenue. To cut \$500,000 would affect primary and secondary services.

Commissioner Schnell noted that this is one of the most dire times she's seen in terms of the budget. Many programs may have to be cut. She urged people to participate in the process as it is extremely important. She asked staff to publicize the October 3 budget meeting.

Commissioner Durkin asked for a report for the last ten years on interest income. He further asked about additional investments. Mr. Fieldman said staff is always monitoring investments.

Commissioner Beckman urged citizens to participate in this process to determine what the cuts will mean. Mr. Fieldman said staff understands that these are difficult policy decisions.

Commissioner Waldack suggested next year the Strategic Plan be done prior to the working on the

budget.

Cal Brainard read a prepared statement that Downers Grove Professional Firefighters Union Local 3234 does not support the closing of Fire Station 1 as a service enhancement to the residents of Downers Grove. Their concern is the safety and the service provided to the residents. The Fire Department needs to respond to emergencies with the right number of people and equipment and within a certain time to be successful. Delays can make a difference in the outcome of the incident. The success of the Fire Department is due to the response times, manpower, and equipment. He said the union stands ready to work with the administration on ways to make services more effective and efficient, but cannot support the removal of an ALS engine or any further reductions.

The Mayor asked for a copy of the prepared statement. He said Council and staff do not think they are closing a station, but instead are combining stations. No stations are being closed. He said he would be happy to work with Mr. Brainard.

Mark Thoman asked about dwelling units in the downtown TIF district for the next three years as this may be a revenue source that has been ignored. Mr. Fieldman said revenues are slowing dramatically. He said staff will ask the Township Assessor about reassessments of downtown projects.

The meeting was adjourned at 8:49 p.m.

April K. Holden
Village Clerk