

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

June 29, 2010

Mayor Ron Sandack called the meeting to order at 6:30 p.m. in the Committee Room.

Council Members Present: Mayor Ron Sandack; Commissioners Marilyn Schnell, William Waldack, Sean P. Durkin (6:35 p.m.), Geoff Neustadt

Absent: Commissioners Bruce E. Beckman, Bob Barnett

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; Kurt Bluder, Deputy Police Chief; Jim Jackson, Fire Chief; Jeff Pindelski, Deputy Fire Chief; Rich Michael, Deputy Fire Chief; Steve Sanderson, Budget Officer; Brandon Dieter, Management Analyst; Wes Morgan, Human Resources Director; Enza Petrarca, Village Attorney; Naneil Newlon, Director, Public Works; Andy Sikich, Assistant Director, Public Works; Mary Van Milligen, Intern; April Holden, Village Clerk

Village Manager Dave Fieldman welcomed the Council, staff and residents to the long range financial planning session. He reviewed the agenda: 1) A summary of the 2010 long range financial plan; 2) Implementation of the 2010 long range financial plan; 3) Identification of new financial trends and issues; 4) Recommendations for the 2011-2013 long range financial plan update; and 5) Council dialogue.

2010 Long Range Financial Plan Summary

The 2010 Long Range Financial Plan:

- Allowed for a dialogue among community, Council and staff
- Created awareness of issues
- Created a three-year plan

Mr. Fieldman reviewed the major revenue sources in the general fund including sales tax, property taxes, utility tax, and income tax. He noted that over the last four years sales tax has been declining. General fund expenses have been reduced over the last three years. Non-personnel expenses are flat and personnel expenses have increased until the last few years. Total full-time equivalent personnel decreased from 364 in 1996/97 to 358 in 2009 while personnel expenses have increased from 65% of the total expenses in 1996/97 to 74% in 2009. The projections made in 2009 with respect to the general fund are: Most of the existing revenues are flat or declining; personnel expenses are increasing; there is a

projected deficit in future years; there is a need to make changes to the business model. Prior to the 2010 budget, staff projected that expenses would outpace revenues if the business model was not changed. Continuing with the review of the 2010 long range financial planning sessions, Mr. Fieldman reviewed the general fund strategies to include the following: Implement operating efficiencies; enhance the revenue base; reduce/eliminate services, events and programs; increase/enhance property tax revenue; increase/enhance other revenue sources; reduce personnel expenses; and strategically use reserves.

Mr. Fieldman then reviewed the General Fund three-year plan as addressed in the 2010 long range financial plan. He noted that under this plan, the gap between the expenses and revenues would be addressed.

2010

- Reduce expenses by \$2.0 million
- Increase levy by \$500,000; revenues by \$1.0 million
- Use \$1.0 million of reserves

2011

- Contain expenses
- Increase levy by \$500,000; revenues by \$1.0 million
- Maintain reserves

2012

- Contain expenses
- Increase levy by \$500,000
- Begin replenishing reserves

Mr. Fieldman then reviewed infrastructure and facilities expenses. There are multiple components of infrastructure and facilities including new construction and maintenance. Annual expenses are “lumpy” and there are multiple sources of funding. He said infrastructure and facilities investment needs exceed existing sources of funding. With respect to the debt capacity, Mr. Fieldman said current debt obligations are at a moderate level in the short-term with a low level of debt in future years. He reviewed the debt capacity available in future years and discussed the need to pledge revenue sources to debt. The strategy, as included in the 2010 long range financial plan, is to prioritize infrastructure and facility needs; issue debt at regular intervals and maintain a moderate debt level; pledge revenue sources and consider alternative revenue sources. The plan called for implementation beginning in 2012.

Mr. Fieldman then reviewed expenses and revenues of the plan as compared to the 2010 budget. In terms of expenses, the plan called for reducing General Fund expenses by \$2.0 million. The 2010 budget reduced general fund expenses by \$2.59 million. The plan called for an increase of \$500,000 in the levy for operations which is reflected in the 2010 budget. The plan called for an increase of \$1.0 million in other revenue which is reflected in the 2010 budget. The plan called for use of \$1.0 million in reserves and the 2010 budget reflects use of \$834,000 of reserve funds. The 2010 budget is very close to the recommendations in the 2010 long range financial plan and results in a further narrowing of the gap

between expenses and revenues.

Identification and New Financial Trends Issues

Staff has identified new trends and issues which should be addressed in the 2011 long range financial plan including state income tax, telecommunications tax, and grant funding.

State Income Tax - Mr. Fieldman discussed a proposal by the Governor to cut the income tax due to municipalities under the Local Government Distributive Fund from 10% to 7%. The impact is a \$1.1 million loss annually for Downers Grove. He said the State is currently five months in arrears in income tax payments, representing \$1.8 million.

Telecommunications Tax - 2009 revenues were 27% less than 2008 and the long-term performance of the tax is uncertain.

Grant Funding – Mr. Fieldman discussed the potential for reduced grants from the State in the future. He said \$2.5 million was budgeted for grants in 2010, but the Village will likely receive only \$1.7 million of this amount. He said staff anticipates this trend will continue.

Recommendations for the 2011-2013 Long Range Financial Plan

Mr. Fieldman reviewed the 2010 long range financial plan action items. He said the plan is working. Staff will continue to monitor budget performance and provide status reports throughout the year. Reduced revenues with respect to the telecommunications tax and State shared income tax could produce a budget gap in future years. The 2011 budget gap is forecast to be \$500,000.00. The projected 2011 gap will be addressed through the use of existing strategies, specifically operating efficiencies and personnel expense reductions. Operating efficiencies include joint dispatch with Westmont and risk management best practices. Personnel expense reductions include staff reductions by filling essential vacancies only as well as re-pricing health claims and exploring options to reduce costs.

Mr. Fieldman then discussed revised general fund strategies for the next three years.

2011

- Contain expenses
- Increase levy by \$500,000, revenues by \$1.0 million
- Maintain reserves

2012

- Contain expenses
- Increase levy by \$500,000
- Maintain reserves

2013

- Contain expenses
- Capture revenue recovery
- Adjust levy as necessary
- Begin replenishing reserves

Mr. Fieldman said if the State reduces the income tax distribution or other revenues, staff recommends enhancing other revenue sources such as utility taxes or hotel tax. Capital projects strategies are to prioritize infrastructure and facility needs, issue debt at regular intervals and maintain a moderate debt level, pledge of revenue sources to include existing and alternative revenue sources, and to begin implementation in 2012.

Public Comments

John Schofield asked about opportunities to capture savings with all other governmental bodies with respect to motorpools, personnel, etc. The Manager said those are operating efficiencies that are above the staff level.

Mark Thoman asked if there are other opportunities to refinance bond debts and about bond series wherein the payments could be adjusted.

Judy Buttny, Finance Director, said there are no further opportunities at this time.

The Mayor noted that Council has discussed adopting a parameters ordinance so staff could act quickly if bond refunding opportunities arose.

Tom LeCren asked about proposed new revenues. The Mayor said that will be discussed at this meeting. Mr. LeCren suggested looking at vehicle stickers.

The Mayor said last year's budget was a deficit budget.

The Manager reviewed revenue enhancements and alternative revenues options.

Council Dialogue

Mr. Fieldman asked Council members to discuss the following: 1) What aspects of the long range financial plan do you support? 2) What aspects of the long range financial plan would you change? 3) How would you change it? 4) Why?

Commissioner Neustadt

1) What aspects of the long range financial plan do you support?

Home Rule Sales Tax, contain expenses, maintain/replenish reserves

2) What aspects of the long range financial plan would you change?

Adjust the levy as necessary in 2011, 2012; change other revenue sources

3) How would you change it?

Add a food and beverage tax

4) Why?

The property tax burden is increasing. The food and beverage tax would reduce the impact on residents. Levy for core services; have a dedicated use of funds; remain competitive.

Commissioner Schnell

1) What aspects of the long range financial plan do you support?

Home Rule Sales Tax; contain expenses

2) What aspects of the long range financial plan would you change?

Property tax levy plan; reserve strategy; other revenue enhancements

3) How?

Be creative; look for more operating efficiencies in every department; look at use of reserves; look at a food and beverage tax, vehicle stickers and utility tax; implement red light cameras.

4) Why?

She would like to see a minimal impact on residents and further expand the non-resident impact. Pensions are impacting the levy and she expressed concern about the property tax burden. She noted there are more foreclosures and an increased cost of housing. The Village may have reserve capacity to be used as a rainy day fund and she suggested borrowing from the reserves. She does not want to tax and later realize it was not necessary. Revenue from vehicle stickers could be dedicated to street improvements. She noted that the food and beverage tax is a progressive tax. Utility taxes represent user fees.

Commissioner Durkin

1) What aspects of the long range financial plan do you support?

All strategies outlined

2) What aspects of the long range financial plan would you change?

Property tax levy plan; more expense reductions

3) How?

Reduce services

4) Why?

He prefers expense reductions to a property tax increase. He discussed the impact of pensions on the levy and the impact of the cost of owning a home.

Commissioner Waldack

Commissioner Waldack asked that another strategy, restore/add services, be added to the list of general fund strategies.

1) What aspects of the long range financial plan do you support?

Contain expenses; Home Rule Sales Tax; reserve strategy

2) What aspects of the long range financial plan would you change?

Service eliminations/reductions; reduce the property tax levy if possible, depending on the budget; alternative revenues.

3) How?

Restore services; implement vehicle stickers, a food and beverage tax and utility tax. Review parking rates; revisit the sales tax rebates and negotiate better terms for the Village.

4) Why?

This would allow for future revenue enhancements and would allow for options. He is concerned that not-for-profit organizations are treated differently than other businesses. Not-for-profit organizations are “nickel and dimed” on special event fees while other businesses are able to negotiate large sales tax rebate agreements. We give away “big bucks” and worry about the “little bucks.” He said he could support a tax increase if it is needed, once he sees the proposed budget.

Commissioner Neustadt commented that programs cut from the budget are slowing creeping back into the community by the private or non-profit sector at their expense.

Mayor Sandack

Mayor Sandack said the Council has committed to a three-year plan and this is an opportunity to adjust it. He noted that Village’s share of the property tax bill is ten percent. He said \$13 million, or 1/3 of the budget, is collected from property taxes for core services. The Village needs to plan for the reality that the economy and the community has changed.

1) What aspects of the long range financial plan do you support?

Contain expenses; Home Rule Sales Tax; maintain reserves; property tax levy

2) What aspects of the long range financial plan would you change?

None

3) How?

Lean concepts

4) Why?

Align the real estate levy to the core services and avoid complexity in revenue sources. The Mayor noted that real estate taxes provide income tax relief and that the real estate taxes are predictable and sustainable.

Commissioner Waldack said an increase of \$500,000 in the tax levy adds \$40 to the annual property tax bill for a home valued at \$300,000.

The Mayor suggested any new revenues be tied to a service. He is not in favor of a food and beverage tax, nor does he support a utility or vehicle sticker tax. He would consolidate these into property taxes. He referenced the costs to administer vehicle stickers and utility taxes. He encourages lean principles, being responsible and accountable.

Mr. Fieldman summarized Council responses in terms of support for the plan and proposed changes. Several Council members expressed support of the Home Rule Sales Tax, containing expenses, and maintaining/replenishing reserves. In terms of changes, he noted that several Council members mentioned the property tax levy and discussed a food and beverage tax, vehicle stickers and other revenue enhancements.

Lucy Lloyd discussed containing expenses and asked as to the likelihood of a serious collective bargaining confrontation.

Mr. LeCren said the Village's Police and Fire departments are the best around and that the quality of these departments has a direct impact on homeowner's insurance. He would not like to see those services cut and acknowledged the need to pay for those services.

Ms. Lloyd asked about a departmental review of staff and specifically a management review of personnel in the Police and Fire departments. The Manager said eight positions were cut in both the Police and Fire departments.

Mr. Fieldman discussed future actions. The long range financial plan is available on the website at LFRP@downers.us. There will be additional opportunities for participation including Council meetings and staff will continue to take comments.

The meeting was adjourned at 7:58 p.m.

April K. Holden
Village Clerk