

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL MEETING
JULY 13, 2010 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Annexation Analysis and Plan	Resolution Ordinance Motion <input checked="" type="checkbox"/> Discussion Only	David Fieldman Village Manager

SYNOPSIS

During the 2010-2012 Long Range Financial Planning process, the Village Council and staff identified several strategies to improve the Village's financial condition. One of the recommended strategies was *Enhance the Revenue Base*. Under this strategy, the Village would grow the base, or source, of many existing revenues such as the property tax base, utility tax base and state-shared revenue base. Annexation of unincorporated properties located within the Village's planning area or ultimate boundary was identified as way to enhance the Village's revenue base. The 2010 Strategic Plan Action Agenda includes *Annexation Analysis and Plan*.

The attached report summarizes key concepts related to annexation, outlines the annexation process, provides a financial analysis of the annexation of the unincorporated areas located within the Village's planning area, identifies policy questions related to the annexation of these areas and recommends specific actions.

STRATEGIC PLAN ALIGNMENT

The Five Year Plan and Goals identified *Exceptional Services and Communication*.

FISCAL IMPACT

NA

RECOMMENDATION

Refer the Report and Recommendations to the Finance and Administrative Committee for review and consideration.

BACKGROUND

The attached report summarizes key concepts related to annexation, outlines the annexation process, provides a financial analysis of the annexation of the unincorporated areas located within the Village's planning area, identifies policy questions related to the annexation of these areas and recommends specific actions.

ATTACHMENTS

Annexation Report

MEMORANDUM

TO: Mayor & Council
FROM: David Fieldman, Village Manager
RE: Annexation Analysis and Plan
DATE: June 18, 2010

During the 2010-2012 Long Range Financial Planning process, the Village Council and staff identified several strategies to improve the Village's financial condition. One of the recommended strategies was *Enhance the Revenue Base*. Under this strategy, the Village would grow the base, or source, of many existing revenues such as the property tax base, utility tax base and state-shared revenue base. Annexation of unincorporated properties located within the Village's planning area or ultimate boundary was identified as way to enhance the Village's revenue base. The 2010 Strategic Plan Action Agenda includes *Annexation Analysis and Plan*.

This report summarizes key concepts related to annexation, outlines the annexation process, provides a financial analysis of the annexation of the unincorporated areas located within the Village's planning area, identifies policy questions related to the annexation of these areas and recommends specific actions.

Annexation and Government Service Delivery

Annexation of properties located adjacent to an existing municipality allows for a more efficient delivery of government services. Unincorporated properties located within the planning area of a municipality receive services from governmental units other than the municipality. In many cases, this leads to an inefficient delivery of services. For example, a segment of street located in an unincorporated area adjacent to a municipal boundary is plowed by a township government. The surrounding street segments are plowed by a municipality. It is likely to be more efficient to have the municipality plow all of the street segments in the area than it is to have two different government entities plowing street segments in close proximity.

Annexation of properties located adjacent to an existing municipality also helps to align the cost of providing government services with those benefitting from the services. Owners of property in unincorporated areas immediately adjacent to a municipality often benefit from municipal services but do not pay the municipality for the cost of providing these services. The provision of police services is a good example of this issue. If there are a few unincorporated properties located within a neighborhood that is located within municipal boundaries, the municipality provides police patrol services for the municipal properties. The adjacent unincorporated properties benefit from the safety and crime prevention as a result of the police patrol. However, the owners of the unincorporated properties do not pay the taxes used to provide the patrols.

Annexation Process

The Village may incorporate parcels through annexation. The properties available for annexation have previously been defined by a series of boundary agreements with surrounding municipalities. The boundary agreements define the ultimate boundaries of the municipalities and place a limit on future annexations of unincorporated territory. The ultimate boundaries of the Village as defined by the various boundary agreements are shown on the attached map.

There are three processes that can be used to annex territory to a municipality:

- voluntary non-elective annexation
- involuntary non-elective annexation
- court-supervised majority petitions

These procedures are explained in more detail below.

Voluntary non-elective annexation. Voluntary annexations require owner cooperation and are the easiest and most popular method of annexing land. In these cases, property owners submit to the Village a petition to annex. All property owners must agree to these types of annexations. The annexation becomes effective if the Village Council adopts an Ordinance annexing the property. If the property is contiguous to the Village boundaries, the property is annexed by the Village Council. These agreements are valid for 20 years per the Illinois Municipal Code.

Involuntary non-elective annexation is process by which the Village may annex certain properties without consent of the property owners. Generally, involuntary annexations must meet three criteria before it can take place:

1. Area must be 60 acres or less.
2. Area must be wholly surrounded by one or more municipalities or by a one or more municipalities and a body of water, Forest Preserve or park district.
3. Area must be in a County of 400,000 or more inhabitants.

These criteria exist for some portions of the annexable land near Downers Grove. The involuntary annexation becomes effective if the Village Council adopts an Ordinance annexing the subject properties. In 2002, the Village annexed portions of the Downers Grove Estates subdivision using this process.

Court-supervised majority petition. Finally, the Village could use a court-supervised majority petition. This would require that the Village obtain petitions to annex from at least 51 percent of the property owners within the area to be annexed. These petitions are then filed with the Circuit Court. During a fixed period of time prior to consideration by the Circuit Court, objectors may petition the Court to have their property removed from the proposed annexation if it will not destroy contiguity or if they believe that the process is defective in some manner. The Circuit Court then holds a hearing to determine the validity of the annexation petition. After the Clerk receives the certified order of the Court stating that the petition is valid, the Village then may enact an ordinance annexing

the area. There is a thirty day period after the enactment of the ordinance wherein a petition for a referendum may either be filed by the electors or ordered by the corporate authorities. If neither of these happen, the ordinance is effective after the expiration of the 30 day period.

Costs and Revenues of Annexations

Upon annexation of properties, the Village would incur costs for providing services to the properties and costs of constructing and maintaining infrastructure. Service costs generally include Fire and EMS, Police, parkway maintenance, snow and ice control, street sweeping, street maintenance, and ditch maintenance. Infrastructure costs generally include sidewalk construction, street light installation, watermain installation and stormwater system improvements. Per State law, upon an involuntary annexation, the municipality must make five annual payments to the fire protection district which previously served the property. The first annual payment is equal to 100% of the amount of the property tax collected by the fire protection district in the preceding tax year. The second through fifth payments are equal to 80%, 60%, 40%, and 20% of the property tax collected.

Upon annexation, the Village would receive revenue from many sources including property taxes, utility taxes, cable franchise fees and state shared revenues including motor fuel tax, income tax and local use tax. In cases where the properties are already served by the Village water system, the Village will continue to receive payments for water use, but at the in-Village rate, which is less than the out of Village rate.

Financial Impact of Annexation of Unincorporated Areas

The Village's ultimate boundary contains five large unincorporated areas and several smaller pockets containing one to four properties. Staff reviewed four of the five larger areas and the smaller pockets. Staff projected revenues and costs over a ten year period. For purposes of the analysis, infrastructure costs have been annualized. Actual infrastructure costs would be incurred at specific times as the improvements are constructed. Staff found that each of these annexations would be revenue positive for the Village. The specific results of each study area are provided below:

North Fairview Area

(Area north of 39th Street between Good Samaritan Hospital and Williams Street)

This area is characterized by single family homes and is immediately east of Lyman Woods and south of Midwestern University. The EAV for this area is \$34,648,782. This area is already served by the Village water system. There are planned improvements to the water system in this area (watermain extensions to create a looped system). The area is currently served by the Fairview Fire Protection District. This District does not own any equipment and has no employees. In 1985, the District entered into an agreement with the Village for the provision of fire and EMS services. The agreement (attached) states that the District shall pay to the Village an amount equal to the Village's tax rate for fire and EMS services times the equalized assessed valuation of the District. The District has not been able to pay the full contract amount for several years. In 2009, the fee for Village services was \$33,129 and the District paid only \$16,254. The District,

which is subject to property tax cap regulations, has attempted to raise their property tax levy to cover the full contracted amount several times. These efforts have failed. Village water service is also provided to the area.

Size in Acres	168
Number of Properties	175
Estimated Annual Revenue	\$242,000
Estimated Annual Service Expenses	\$29,500
Annualized Infrastructure Costs	\$49,500
Total Payments to Fire District	NA
Net Present Value of Annexation	\$945,000

Northwest Area

(Between Ogden Avenue & BNSF tracks bounded by Walnut Avenue and Edward Street)

This area is characterized by single-family residences. It is surrounded by Belmont Prairie on the west and the Downers Grove Golf Course on the north. The EAV of this area is \$10,762,300. There are several individual properties that have already annexed to the Village through-out the area. As such, the Village already provides police and fire services in the neighborhood. The area is located within the Lisle-Woodridge Fire Protection District. Also, 86 of the 120 homes are already on Village water service. The area would require almost 2,500 feet of water main improvements to make Village water available to all property owners.

Size in Acres	59
Number of Properties	120
Estimated Annual Revenue	\$125,500
Estimated Annual Service Expenses	\$17,500
Annualized Infrastructure Costs (no watermains)	\$38,500
Annualized Infrastructure Costs (with watermains)	\$88,500
Total Payments to Fire District	\$194,000
Net Present Value of Annexation (no watermains)	\$477,500
Net Present Value of Annexation (with watermains)	\$145,000

South Area

(Between north of 75th Street between Main Street and Webster Street, Village Square Condominiums and 73rd Street east of Webster Street)

This area is made up of the Village Square Condominiums and two smaller pockets of single family homes. The areas are completely surrounded by the Village and Darien. The EAV is \$12,448,856. The street system in Village Square Condominiums is maintained by the private homeowners association. The Village is already providing fire and police services on the streets. The area is located in the Darien Woodridge Fire Protection District. All of the properties are on Village water except for the commercial property at the northeast corner of Main Street and 75th Street. No infrastructure improvements would be needed until the Village extends sidewalks down Webster Street south of 73rd Street. The major cost would be reimbursing the Darien-Woodridge Fire Protection District for the loss in revenue.

Size in Acres	26
Number of Properties	255
Estimated Annual Revenue	\$150,500
Estimated Annual Service Expenses	NA
Annualized Infrastructure Costs	\$1,500
Total Payments to Fire District	\$170,500
Net Present Value of Annexation	\$1,118,500

Belmont Park

(Between 63rd Street and Maple Avenue bounded by Walnut Avenue and Downers Drive)

This area is characterized by single-family residences. It has an EAV of \$100,800,696. It is surrounded by Ellsworth Business Park on the north, I-355 on the west, and 63rd Street on the south. There are significant portions of the Village on all four sides. The Village already provides police and fire services to the neighborhood through mutual aid agreements. The area is located within the Darien-Woodridge Fire Protection District. Also, most of the homes are already on Village water service.

Size in Acres	614
Number of Properties	954
Estimated Annual Revenue	\$881,000
Estimated Annual Service Expenses	\$146,500
Annualized Infrastructure Costs	\$166,000
Total Payments to Fire District	\$1,381,500
Net Present Value of Annexation	\$2,850,000

Miscellaneous Areas

(Properties on Fairview Avenue south of 63rd Street, 63rd Street and Fairview Avenue and 40th Street and Lee Avenue)

These areas consist of one to four properties that are completely surrounded by the Village. All of the properties are single family homes. The Village already provides all services to neighboring properties. The combined EAV of these areas is \$1,846,950. As such, the cost increase would be minimal. The only notable cost would be reimbursing the Darien-Woodridge Fire Protection District for the loss in revenue.

Size in Acres	13
Number of Properties	19
Estimated Annual Revenue	\$18,300
Estimated Annual Service Expenses	NA
Annualized Infrastructure Costs	NA
Total Payments to Fire District	\$24,000
Net Present Value of Annexation	\$134,500

Northeast Area

(Between north side of 31st Street, east of Highland Landmark office park)

This area is characterized by a large single-family subdivision and two townhouse developments. Most residents have Oak Brook mailing addresses. It is surrounded by Highland Landmark Office Park on the west, Interstate 88 on the north, Midwestern University on the south and the Village of Oak Brook on the east. It has an EAV of \$54,988,465. The Village is already providing police and fire services in the neighborhood – to Highland Landmark and Midwestern University. The area is located within the York Center Fire Protection District. The homes on the north side of 31st Street (the majority of the area) is served by the Oak Brook water system.

Size in Acres	117
Number of Properties	490
Estimated Annual Revenue	\$484,500
Estimated Annual Service Expenses	\$11,500
Annualized Infrastructure Costs	\$49,500
Total Payments to Fire District	\$1,125,000
Net Present Value of Annexation	\$2,608,500

Annexation Timeline

State statutes and Village policy affect the timing and scheduling of annexations. The state statute governing annexations states that no annexation, made before any primary election to be held within the municipality affected thereby and after the time for filing petitions as a candidate for nomination to any office to be chosen at the primary election or within 60 days before any general election to be held within the municipality shall be effective until the day after the date of the primary or general election.

The Village’s policy regarding annexation states in the case of involuntary annexation, at least sixty (60) days prior to any such annexation, the Village shall make every effort to notify persons living within such areas that involuntary annexation is proposed and to give reasons for such involuntary annexation. The policy also states that upon annexation of any such property, it shall be the policy of the Village to encourage residents of such areas to become fully and actively involved in the life of the community through participation in planning for their neighborhoods, service on Village boards and commissions, and other community activities.

If the Village would like to avoid annexing properties within the 60 day window prior to an election and to conform to the 60 day notice policy, the following dates should be considered.

General Election	November 2, 2010
Last Day to Annex 60 Days Prior to Election	September 2, 2010
Preceding Village Council Meeting Date	August 17, 2010
60 Day Notice Period Prior to Council Meeting	June 17, 2010

The Village has a practice of not annexing properties during a municipal election process. If the Village were to annex properties after September 2, 2010, the annexation would become effective on November 3, 2010. Activities related to the April 5, 2011 municipal

election will commence prior to November 3, 2010. Therefore, if the Village would like to continue with the practice of not annexing properties during the municipal election process, the annexation process should commence after April 5, 2011.

Infrastructure Improvement Policy Considerations

There are a few key policy issues related to infrastructure improvements that the Council should consider prior to the annexation of these areas. The issues relate to the timing and financing of the infrastructure improvements to be made within the annexed areas.

Sidewalk Installation

The Village constructs new sidewalks according to the prioritization in the Sidewalk Matrix. The sidewalk construction costs are paid for from the Capital Projects Fund. Most of the unincorporated areas noted above are not improved with sidewalks. Upon annexation, the Village could choose to update the prioritization of the Sidewalk Matrix based on the existing prioritization factors. If this option is pursued, the construction of sidewalks in some of the newly annexed areas could be prioritized above the construction of sidewalks in areas that have been part of the Village for many years. Alternatively, the Village could choose to place the newly annexed areas at the end of the Sidewalk Matrix prioritization and construct these segments upon completion of the Matrix in its current version.

Stormwater Improvements

The Village constructs new stormwater infrastructure improvements based on the prioritization in the Watershed Infrastructure Improvement Plan (WIIP). When the Village prepared the WIIP, the unincorporated areas were not included in the analysis or recommended improvements. Upon annexation, the Village would have to consider when and how to construct stormwater improvements in the newly annexed areas.

Street Repairs & Maintenance

The Village maintains and makes improvements to public streets based on the prioritization of the Community Investment Program. The prioritization considers the existing condition of all streets in the Village and the expected cost of maintenance and repairs. Upon annexation, the Village would have to consider when and how to address the maintenance and repair of the streets located within the newly annexed areas.

Water Main Improvements

The Village operates the water system as an enterprise fund. User fees pay for the operation and maintenance of the entire system. Some of the unincorporated areas are already served by the Village's water system. In these areas, the water customers will continue to pay fees for the use of the water system and the Village will continue to operate and maintain the system. Some of the unincorporated areas are not served by the Village's water system. Village Code states that it shall be unlawful for any person to dig a well at any location within the corporate limits of the Village. Upon annexation, the residents in these areas may request that the Village extend the water system to serve their properties. The Village should consider how the requests for watermain extensions are addressed. In keeping with the user fee approach, the cost of the watermain

extensions should be paid for by the users that would benefit from the improvements. This suggests that the Village should consider paying for the improvements by establishing Special Service Areas. However, the Village's restriction on drilling wells should be considered when addressing this policy question.

Recommendations

Based on the above analysis, staff recommends the following:

Annex the unincorporated areas eligible for involuntary non-elective annexation in 2011. These areas are indicated in green on the attached Annexation Analysis map. To comply with Village policy and practice and to avoid annexing parcels during the 60 day period prior to an election, staff recommends that the annexation process after the April 5, 2011 municipal election. The 60-day Village notification efforts should commence on or around June 1, 2011. This would allow for the annexations to take place on or after August, 2011.

Pursue the annexation of the areas not eligible for involuntary non-elective annexation over the next 2 to 5 years. The Village should use all annexation processes available to facilitate the annexation of the remaining unincorporated areas located within the Village's planning area.

Work with the Fairview Fire Protection District Board to collect all fees for service due to the Village. The Village should actively pursue payment of all fees from the District for services provided by the Village. Amendments to the existing agreement could be considered. Voluntary annexation of all unincorporated areas located within the District boundaries should be considered.

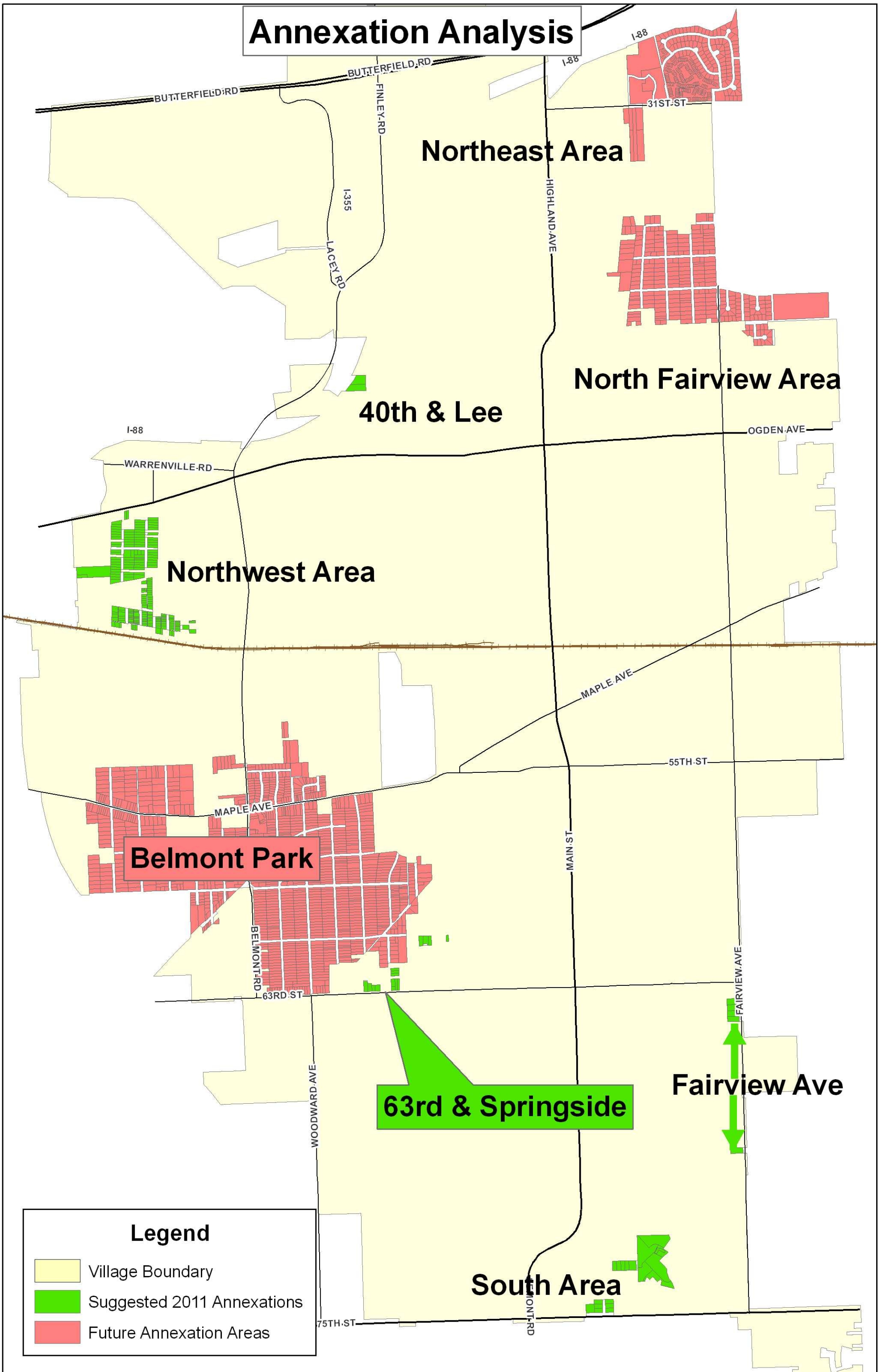
Adopt policies for public infrastructure improvements within the newly annexed areas. In 2011, the Village should consider adopting policies for the construction of sidewalks, extensions of watermains and the prioritization of street and stormwater improvements. The policies should be in place prior to the effective date of the involuntary non-elective annexations recommended above.

Attachments




Annexation Analysis Map

Inter-Governmental Agreement with Fairview Fire Protection District

Annexation Analysis



Legend

-  Village Boundary
-  Suggested 2011 Annexations
-  Future Annexation Areas