

## MINUTES OF COUNCIL BUDGET REVIEW WORKSHOP

### VILLAGE OF DOWNERS GROVE

#### DOWNERS GROVE, ILLINOIS

OCTOBER 2, 2010

Mayor Ron Sandack welcomed Council, staff and visitors to the budget review session at 7:30 a.m. at Fire Station 2, 5420 Main Street.

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

**Absent:** Commissioner Geoff Neustadt

**Staff:** Village Manager Dave Fieldman; Deputy Village Manager Mike Baker; Village Attorney Enza Petrarca; Director of Human Resources Wes Morgan; Director of Community Development Tom Dabareiner; Director of Communications Doug Kozlowski; Director of Public Works Naneil Newlon; Assistant Director of Public Works Stan Balicki; Fire Chief Jim Jackson; Deputy Fire Chief Jeff Pindelski; Deputy Fire Chief Rich Mikel; Police Chief Bob Porter; Deputy Police Chief Kurt Bluder; Deputy Police Chief Jim Black; Director of Financial Services Judy Buttny; Assistant Finance Director Doug Haywood; Budget Officer Steve Sanderson; Director of Information Services Liangfu Wu; Director Community Events Mary Scalzetti; Management Intern Mary Van Milligen; Village Clerk April Holden

The Mayor asked Village Manager Dave Fieldman to provide a general overview of the FY11 proposed budget.

Village Manager Dave Fieldman reviewed the agenda for the meeting to include a staff presentation, Council and public questions and comments. He said this is the first of many meetings and reviewed the budget schedule. The budget is expected to be presented to the Council for a vote in November.

Mr. Fieldman said the 2011 budget was prepared per the Long Range Financial Plan (LRFP) recommendations and strategies. The goals of the budget are to: Present a balanced General Fund, implement the water rate study report recommendations and continue to invest in infrastructure using dedicated funding sources.

With respect to the General Fund, Mr. Fieldman said it is a balanced budget with revenues and

expenses of \$40.07 million. There are no reductions in service levels. Expense reductions and revenue enhancements are in accordance with the Long Range Financial Plan.

The Water Fund reflects the recommendations of the water rate study report which calls for an increase in rates to cover costs of operating, maintenance and capital. Mr. Fieldman noted that this report is currently under review by the Village Council.

In terms of infrastructure investment, Mr. Fieldman said the budget includes \$19.1 million in capital and infrastructure investment. The revenues are from dedicated sources. Investment needs exceed revenue from current sources. A bond issuance is planned in 2012. The FY11 budget focuses on maintaining streets, continued sidewalk construction and maintenance and continued stormwater construction and maintenance.

Mr. Fieldman warned of a risk of declining revenue due to State controlled revenue and revenue related to economic conditions. Staff will continue monitoring and forecasting activities, will provide quarterly reports, and will provide for mid-year budget discussions and adjustments if necessary.

### **General Fund**

The General Fund is the main operating fund of the Village. It contains the majority of services and programs and has multiple revenue sources. The LRFPP recommended actions are to contain expenses, increase the property tax levy by \$500,000 for operations, capture 12 months of Home Rule Sales Tax, and maintain reserves. The revenues and expenses in the FY11 budget are estimated to be \$40.07 million. Savings in the FY11 budget include \$225,000 for the consolidated dispatch, \$1,300,000 as a result of a change in the health care provider network, and \$880,000 of savings due to staff reductions via attrition. This results in a total savings of \$2,405,000.

Mr. Fieldman provided information on the staffing levels. He said 11.75 full-time equivalent (FTE) positions have been eliminated in the FY11 budget. The staffing level in the 2011 budget is 329.13 FTE. The Mayor noted that the staff count was close to 400 in 1997/98. Mr. Fieldman said staff salaries are up .9% and pensions are up 10%.

In terms of revenue, the General Fund has multiple revenue sources; however, most of the major revenue sources are flat or declining. Property tax, building permits and cellular equipment leases are increasing.

With respect to the property tax levy, Mr. Fieldman said the Village levies an amount, not a rate. The FY11 amount is an increase of 7% over last year. Commissioner Schnell noted that pension fund increases are due to a low return on investments rather than increased benefits. The State sets the benefit levels the municipalities must meet. In further response, it was noted that the Police Pension Board lowered the anticipated return rate from 7.75% to 7.5% and the Fire Budget Review Session – October 2, 2010

Pension Board lowered their anticipated return rate from 8% to 7.75%. The Mayor said the Police and Fire Pension funds are constrained by State law.

Mr. Fieldman then related the tax levy to an actual tax bill. The tax bill includes many taxing bodies. The Village's portion is approximately 10% of a tax bill. In FY10, the Village tax rate was .4952 and for a home with an equalized assessed value of \$100,000 the property taxes paid to the Village were \$495.20. In FY11, the Village tax rate is proposed at .5568 and the proposed property taxes to be paid to the Village are \$524.60.

In summary, Mr. Fieldman said the General Fund represents a balanced budget, maintains service levels and is consistent with the Long Range Financial Plan.

The Mayor said personnel costs continue to go up even though the Village has fewer staff than in the past. Other sources of revenue are continuing to decline. Fire and Police services have to be paid for. He noted that these services could be cut if that is what people want.

Commissioner Durkin said a balanced budget has a direct impact on the Village's bond rating, our ability to borrow money and the interest rate the Village is charged. It is imperative we maintain our current path. If services are cut, our response time will increase which could cause insurance costs to increase. That could result in a higher cost than the increase in the property tax levy.

Commissioner Beckman cautioned against confusing long-term opportunities with short-term needs. There will be economic opportunities in the future that the Village will be able to act upon.

Commissioner Schnell said it is great to see a balanced budget. Staff will have larger challenges next year as it will be difficult to find the savings to be realized through the health care plan changes next year. She said we must look to economic development for a more diverse economy.

Commissioner Beckman said staff needs to rethink and review all possibilities and specifically mentioned outsourcing.

The Mayor said staff is continually monitoring the budget. He noted a weakness in retail leakage to other communities.

Commissioner Barnett said the Long Range Financial Plan calls for predictable revenue sources. He said  $\frac{3}{4}$  of our costs are personnel. He said all sources of revenue are very important.

The Mayor said 20% of the costs for Fire and Police services are covered by the property tax; 80% is dependent on other sources of revenue. Property taxes do not cover much of the core service expenses. The Village has an obligation to pay for those services.

Commissioner Beckman noted that quality services are what attract people to a community.

Commissioner Waldack said Downers Grove is a unique community with unique options. Options were lost with the drop in auto dealerships and sales. The property tax is a stable revenue source, but one should not just expect to add to it. He agreed that other reasonable options should be reviewed at some future date, including other taxes, vehicle stickers, etc. He said he would like to see a comparison of taxes to inflation.

Commissioner Waldack referenced the Long Range Financial Plan and reserve funds. Mr. Fieldman said the Village has remained in compliance with the reserve policy. In FY10 the use of reserve funds is estimated to be at \$793,000 which is a reduced amount from earlier projections.

Chris Fregeau, 1918 Elmore, suggested showing the variances in the funds. She asked if the telecommunication and utility taxes could be increased.

Mike Baker, Deputy Village Manager, said the telecommunication tax could not be increased, but the Village has the ability to increase the electric and natural gas taxes.

Bill Wrobel, 7800 Queens Court, noted that in the private sector, consolidation is an option and achieves many economies. He said we have to come together to combine services and equipment.

Commissioner Waldack noted that it is important to ask why we exist. We could be unincorporated and services would be provided by another level of government.

Commissioner Beckman said there are many quasi-government agencies that need to be addressed.

Tom LeCren, 545 Chicago, asked about the performance of the 2010 budget. Mr. Fieldman said staff is continuing to monitor the FY10 budget. He noted that staff does not expect full use of the reserve funds in the budget. Mr. LeCren suggested that staff denote revisions to the budget through the use of division bars. He noted that even though the General Fund is balanced, not all of the funds are balanced.

The Mayor said he would like to focus on the capital funds. He would support vehicle stickers if the revenue was dedicated for roads.

## **Water Fund**

Stan Balicki, Assistant Director, Public Works, noted that the draft of the water rate study is available online. He said the Water Fund for FY11 is projected to be balanced and staff is

planning to restrict capital projects in order to accumulate funds for projects planned in 2012.

The objectives of the Water Fund are to provide safe and reliable drinking water, operate and maintain the water system in the most cost effective manner, and achieve stable and sufficient water rates. The primary source of the Village's water supply is the DuPage Water Commission. Major components of the water system include seven elevated storage tanks, six rate control stations, over 200 miles of water distribution main, 2,600 fire hydrants, 2,700 main line distribution valves, and the SCADA System. The system is operated and maintained by licensed and trained operators, technicians, managers and support staff. Total annual revenue requirements are composed of operating and maintenance expenses, planned capital improvement projects, outstanding debt and contributions to reserves.

Mr. Balicki then reviewed the projected cash flow with the current rates. He said the current water rates will not produce revenues to support the system in 2011 and beyond. There are several reasons for the revenue shortfalls, including decreased consumption. About 92.5% of the fund revenue is generated from the sale of water. The second reason the Village will experience increasing costs is that the DuPage Water Commission has significantly increased the cost of water. These increases have been the primary reason for the increasing costs of operating the water system. It is anticipated that the Village will continue to experience significant annual increases of 10% per year in purchased water costs from the Water Commission. He noted that the DuPage Water Commission is our sole source of water and the Village cannot purchase water on its own. The third reason the Village will experience increasing costs is due to the age of the water system. A significant portion of the water system has reached its useful life. If the Village does not address these assets, it runs the risk of portions of system failure leading to disruptions in water service. To address the aging water system, the Village will be required to make investments in the water system over the next ten to twenty years of over \$20 million dollars. The Water Rate Study recommends an average water rate increase of 14%. If adopted, this increase is planned to be implemented at the beginning of 2011. Implementing the revised water rates will result in projected revenue of \$9.1 million dollars, which would close the projected gap between costs and revenues. Reduced expenses in 2011 over 2010 reflect delaying work in anticipation of the 2012 bond issuance. He said the revenues take into account water conservation efforts.

Mr. Balicki explained the Water Fund projected expenses for FY11. He said \$4.3 million, or about 48% of the expenses are the cost of water. Another \$3.89 million, or 43% is the cost of operations and maintenance. The remaining expenses are for debt service and capital projects. With respect to capital projects, the amount of capital projects in the water fund will be significantly reduced in 2011 in anticipation of a bond issuance and capital expenditure of about \$7,000,000 in 2012. Projects anticipated for FY11 include the water system SCADA improvements, water main replacement survey work, water main replacement on Maple at the BNSF crossing, tank painting design at Maple and an existing well study.

Mayor Sandack noted that there have been several meetings regarding the assets of our water

system. The Village gets water from the DuPage Water Commission who gets it from the City of Chicago as a sole source supplier. The DuPage Water Commission has subsidized the cost of water through sales tax. Now they are discussing a 25% increase. Our assets need to be maintained. He said 60%-70% of the costs of the water system are fixed; 7% of the fixed costs are captured in the water bill, and the projected increases will help address this gap.

Commissioner Schnell asked if the cost of maintaining the standby wells is included in the Water Fund. Mr. Fieldman said it is.

Commissioner Beckman asked as to the cost of water leakage. Mr. Fieldman said staff continues to invest in leak detection. He will provide that information.

Ms. Fregeau referenced the water main improvements on Main Street both in terms of the cost and the disruption on Main Street. She asked about replacements in terms of commercial vs. residential water mains. Mr. Balicki said older mains are not just in one area.

Laurel Bowen, 849 Clyde, urged use of wells and asked if wells are used for fire hydrants and watering. Using wells will help diminish groundwater levels. The use of wells could save money. Mr. Balicki said there are four backup wells. They contribute toward the storage capacity we are required to have. To bring them into active service is a complicated issue. The water would run through the same mains as the DuPage Water Commission water and there are agreements regarding this. The Manager said this would require an amendment to the DuPage Water Commission and cross connections are generally not allowed in any of the water commissions, including the DuPage Water Commission.

Commissioner Beckman asked if the lack of use of the ground wells substantially affects the water table. Ms. Newlon said the ground wells are shallow and would have a questionable impact on the water table.

Mike Lawler, 506 68<sup>th</sup> Street, said the water funding is depending on volume. He suggested a fixed and variable rate charge. Charge for the water used and maintain the infrastructure by a fixed rate.

In response to Commissioner Waldack, Mr. Fieldman said staff projects a decrease in capital activity in FY11. Staff is not requesting funds in FY11 in order to be able to complete the projects in FY12, as the intention is to do the work in FY12 upon receipt of bond funds.

Mr. LeCren asked when the DuPage Water Commission would determine their rates for FY11. The Mayor said that is expected at this time. Mr. Fieldman said the DuPage Water Commission traditionally raised rates as of May 1. Mr. LeCren suggested that the increase be reflected in dollars as a 14% increase sounds enormous.

### **Funds with Major Financial Component**

Mr. Baker said these funds include the Water Fund, Capital Projects Fund, Motor Fuel Tax (MFT) Fund, Stormwater Fund, Parking Fund, Downtown TIF Fund, Ogden Ave TIF Fund, and Major Buildings Fund. He said he would focus on the Capital Projects Fund, Motor Fuel Tax (MFT), and Stormwater Fund. He provided information on funding sources and the activities the funds support.

The Motor Fuel Tax supports streets. Funding sources for the Capital Projects Fund are the Home Rule Sales Tax, Telecommunication Tax, cash on hand, and grant funding. Activities the Capital Projects Fund supports are streets, sidewalks, bikeways, traffic, facilities, debt service for Fire Station 2 and direct personnel costs. Funding sources for the Stormwater Fund are the property tax, Home Rule Sales Tax, and bond proceeds. Activities the Stormwater Fund supports are stormwater maintenance, stormwater capital, debt service, and direct personnel costs.

The focus for FY11 is to invest in prioritized capital improvements with available funding sources, to prepare for proposed 2012 bond issue, and to effectively address and prioritize needs within major infrastructure systems of streets, stormwater and sidewalks.

Andy Sikich, Assistant Director, Public Works, provided an overview of streets. The FY11 budget includes maintenance and design of future reconstruction projects and major reconstruction projects identified for 2012 – 2016. There are 329 lane-miles of local, collector and arterial roadways, 60% of roadways with curb and gutter, and 40% of roadways with ditches. Objectives are to maintain streets at the most cost effective level and to coordinate timing with other projects such as water, drainage, sewer and sidewalks in order to minimize cost and inconvenience to residents. Many old or annexed streets were not built to modern standards and are in need of reconstruction. Other streets are also in danger of falling into “reconstruction” category. Mr. Sikich discussed anticipated system performance of streets and described the goal to maintain our streets at a level that never falls below the “poor” category. Currently 22% of the streets fall within the failed, serious or very poor condition. He explained maintenance of streets vs. reconstruction. In terms of maintenance, the goal is to keep all Village streets in the “Good” to “Poor” range. He said \$3.9 million is budgeted for maintenance in FY11 and staff will utilize the Road Condition Report to develop a list by February 2011. In terms of reconstruction, Mr. Sikich said reconstruction is roughly four times more expensive than maintenance. Streets built with Pozzolan base are in need of reconstruction. Further streets below the “poor” category are likely to require reconstruction. He said \$25 million in street reconstruction has been identified. The FY11 street projects total \$4.6 million. Mr. Sikich identified the reconstruction projects.

Commissioner Schnell asked if \$3.9 million is sufficient for maintenance. Mr. Sikich said if the streets in the “poor” category are eliminated, it is sufficient.

Commissioner Beckman asked if the bond issuance is a coordinated effort for both water and

streets. Mr. Fieldman said it is.

Commissioner Schnell said as the Village looks toward annexation, there is a need for a policy to work with townships to bring the streets up to standard prior to annexation. Mr. Fieldman said staff looks at the condition of the roads in the areas being contemplated for annexation.

Ms. Fregeau asked for an overlay of streets in bad condition with those without sidewalks.

Commissioner Barnett asked for information as to how maintenance and reconstruction would shift over time. He asked what would happen if the expectation were raised from “poor” to “fair.”

The Mayor said the conversation about stormwater has diminished, but the conversation about streets has increased.

In response to Commissioner Schnell, Mr. Fieldman said that “fair” is a targeted condition of a road. We want to resurface when the road gets between the line of “fair” and “poor.”

Commissioner Barnett noted that the proposed property tax increase is to continue operations. Capital needs, such as roads, are still not addressed.

Nan Newlon, Director, Public Works, addressed stormwater. There are three major watersheds and 11 miles of streams. She said 2/3 of the Village is drained by storm sewers. There are 130 miles of storm sewers and 7,000 drainage structures. One-third of the Village is drained by ditches. There are 140 miles of ditches and 47,000 feet of culverts. There are 315 stormwater storage facilities. The objectives of the stormwater program are to complete construction of high-priority Watershed Infrastructure Improvement Program (WIIP) projects by 2011; maintain and improve conveyance systems - storm sewers, channels and creeks; construct identified capital projects; and meet the requirements of the Clean Water Act regulations.

In terms of issues, some of the WIIP identified projects have a high cost/benefit ration. Additional projects have also been identified by staff as “high priority.” Maintenance has switched from a reactive to a proactive approach and maintenance frequency is not keeping up with the targets. Streams are not adequately maintained. Approximately \$2.4 million per year is needed to replace aging storm sewers.

Ms. Newlon reviewed the proposed maintenance and new infrastructure activities. The projected budget for FY11 is \$11,223,200. Capital maintenance is for contracted work, not staff work.

The Mayor asked about the Neighborhood Drainage Improvements Cost-Share Program. Ms. Newlon said \$110,000 was budgeted in FY10 and approximately ½ of that was spent. Mr. Fieldman said the proposed budget for FY11 is \$100,000. Commissioner Schnell asked how this program is publicized. Ms. Newlon said it is online and addressed individually with residents.



Commissioner Schnell suggested this program be highlighted in our publications.

With respect to sidewalks, Ms. Newlon reiterated the policy to have sidewalks on at least one side of every street. There are 38,700 lineal feet remaining on the sidewalk matrix. With the current funding level, the matrix will be complete in 2017/18. Staff is pursuing sidewalk and trails on Ogden Avenue, 31<sup>st</sup> Street, Belmont Road, and 55<sup>th</sup> Street as grant funding permits. Objectives for FY11 include continued implementation of the sidewalk matrix, maintain existing sidewalks, reconstruct downtown crosswalks with grant funding, and pursue right-of-way acquisition along Ogden Avenue. She noted that no money has been received from the State for the crosswalk work on Ogden Avenue. In response to Commissioner Schnell, Ms. Newlon said the Village has not received money for Ogden Avenue because we have to pursue right-of-way acquisitions. There are 110 properties where we need the right-of-way acquisition in order to install sidewalks.

Ms. Newlon said new sidewalks planned for FY11 include Seeley from 40<sup>th</sup> to Herbert; Morton from 40<sup>th</sup> to Herbert; Lee from Ogden to north of Virginia; 40<sup>th</sup> from west of Morton to east of Seeley; and Prospect from Lincoln to Chicago.

Commissioner Durkin asked that the sidewalk replacement program start earlier in FY11.

Ms. Fregeau asked for clarification as to how many miles are left on the matrix – 7 or 15 miles. Ms. Newlon said she would review the matrix.

Gordon Goodman, 5834 Middaugh, asked about State money expected for Belmont Road. The Manager said there are no Village contributions for Belmont.

Dr. Goodman asked if there is an active program for easements for surface drainage. The Manager said these are approached on a case-by-case basis.

Commissioner Barnett asked about standards for maintenance for brick sidewalks.

### **TIF Funds**

Mr. Baker reviewed the downtown TIF fund. It is due to expire in 2020. Expenses have been cut back in response to a slowing real estate economy. Commissioner Schnell asked if we are on track to pay off the debt. Mr. Baker said he does not anticipate the need for a tax levy through 2014, but the increment may not be sufficient to pay off the debt in 2020. Mr. Fieldman said funds have been budgeted for a consultant to advise staff on this matter.

Mr. Baker then reviewed the Ogden Avenue TIF fund. It was created in 2001 to provide a funding source for redevelopment activities along Ogden Avenue. Funds are provided through the collection of the TIF property tax increment. There is a pay-as-you-go funding strategy

applied to the Ogden Avenue TIF. There is a significant balance in the Ogden Avenue TIF in anticipation of the Comprehensive Plan.

Commissioner Barnett said there are many concerns about the quality of the environment on Ogden Avenue and concerns for the need of a levy for the downtown TIF due to the economic environment. These are different models with different expected outcomes.

### **Equipment Replacement Fund**

Mr. Fieldman said this fund provides the cash balance necessary for vehicle, fleet and computer-related purchases. Purchases are made following an equipment replacement schedule and expenses are paid through the collection of fees from user departments that pre-fund purchases. He reviewed the proposed replacement schedule for FY11 and noted that replacements are not automatically made just because they are on the list.

Commissioner Schnell asked as to grant funds for cardiac monitors. Fire Chief Jim Jackson said it is rare to find grants for that purpose.

Commissioner Durkin asked about the possibility of leasing. Mr. Fieldman said we are rarely in the position where leasing is financially beneficial, due to management of an equipment replacement fund, but staff will always review that option. Commissioner Durkin said the benefit of leasing is that you are constantly recycling it. Many municipalities are leasing police cars.

Commissioner Schnell asked about replacement of the patrol vehicles. Deputy Police Chief Kurt Bluder said Ford was scheduled to discontinue production of the Crown Victorias, but that may not occur. Due to this, the Police Department may recommend transition to Tahoes at the same price. He also referenced the Tahoe warranty.

Commissioner Beckman asked if there were other vehicles that could be considered. Deputy Chief Bluder mentioned Chevy and Ford models. He said space is a concern and staff will also look at price and size.

### **Fleet Services Fund**

Mr. Baker said this fund provides maintenance and purchasing support to all fleet equipment. Expenses are paid through the collection of maintenance fees from user departments and incorporated into the budget on a one-year lag. Operating efficiencies have reduced fleet costs below 2008 levels.

### **Health Insurance Fund**

Mr. Baker said the Village is self-insured for medical, dental, vision and life insurance.

Administration of this fund is through internal staff and contractual support. Coverage is provided for Library, Park District, EDC and Village retirees. The FY11 budget reflects \$1.3 million in savings.

Commissioner Beckman asked if there have been discussions with other entities to broaden the pool of participants. Mr. Baker said staff is starting that conversation.

### **Risk Management Fund**

Mr. Baker provided an overview of this fund. The Village is self-insured for Worker's Compensation, general liability and auto liability risk. Staff is working to implement cost-saving strategies.

### **Transportation Fund**

Mr. Baker said these funds are expended on the maintenance and operation of the Grove Commuter Shuttle system. The annual operating deficit was eliminated in FY10 and the fund continues to operate at break even, although there is a long-term deficit. Goals include working with Pace to transition to the "Highland Park" model over the next four years.

The Mayor said last year's plan called for moving to the "Highland Park" model in 2010. He said Pace has been acting in good faith.

Commissioner Waldack asked as to the status of the circulator study. He asked about transfers to the Transportation Fund. Mr. Fieldman said staff will review this.

Commissioner Durkin said there is a \$1.9 million deficit for 2011. He urged Council to look at this to determine if this is a core service. This needs to be addressed. This was highlighted in the management letter from the auditors.

Commissioner Waldack asked what would happen to the fund if the buses were eliminated today. Mr. Fieldman said staff has several options that could be presented. That deficit would continue to exist.

The Mayor asked staff to prepare information describing the plan to address the accumulated deficit in terms of the impact and timeline of transition.

Commissioner Barnett said he is not interested in waiting for the Pace agreement. He noted that even continuing the program on a break even basis there are liability issues and expectations on the part of the public that the program will continue. Based on the LRF, we should set timetables for decision-making.

Commissioner Waldack asked for a report detailing our debt to include how much money is

proposed to be borrowed from all funds, and the revenues. The Manager said that report is available.

Commissioner Waldack reiterated his request to review the tax levy in terms of inflation. He asked Council to consider the request from the Senior Citizens Council regarding the Meals on Wheels program. Council always seems to find money for various issues and he would like to find \$25,000 for Meals on Wheels. He suggested it relates to core services in terms of fire prevention, fire education and EMS program, because it is well-being checks on seniors in addition to meals. He asked his colleagues to consider this for future discussion.

The Mayor said he would have preferred this conversation at the appropriate time. Commissioner Beckman said he shares with Commissioner Waldack's philosophical concern, but would have also preferred to have had this discussion within the context of the General Fund.

There being no further discussion, the meeting was adjourned at 11:40 a.m.

April K. Holden  
Village Clerk