

VILLAGE OF DOWNERS GROVE
REPORT FOR THE VILLAGE COUNCIL MEETING
OCTOBER 12, 2010 AGENDA

SUBJECT:	TYPE:	SUBMITTED BY:
Proposed FY11 Municipal Budget	<ul style="list-style-type: none"> Resolution Ordinance Motion ✓ Discussion Only 	<ul style="list-style-type: none"> David Fieldman Village Manager

SYNOPSIS

Discussion is requested regarding the proposed FY11 Municipal Budget.

STRATEGIC PLAN ALIGNMENT

The Five Year Plan and Goals for include *Exceptional Communication and Services*. A supporting objective of this goal is *Steward of Financial Sustainability*.

FISCAL IMPACT

The FY11 Municipal Budget will provide for all operational revenues and expenditures for the time period from January 1, 2011 through December 31, 2011.

RECOMMENDATION

N/A

BACKGROUND

The Long Range Financial Plan was approved by Council on September 7, 2010. This Plan was used as a guiding document in preparation of the proposed 2011 Municipal Budget. On September 24, 2010, the proposed FY11 Municipal Budget was published for the Village Council and the public. A Budget Workshop was held at Fire Station 2 on Saturday October 2, 2010. Staff presented information related to the following funds at the Workshop:

- General Fund
- MFT Fund
- Ogden TIF Fund
- Risk Fund
- Water Fund
- Stormwater Fund
- Equipment Replacement Fund
- Health Insurance Fund
- Capital Fund (Streets & Sidewalks)
- Downtown TIF Fund
- Fleet Services Fund
- Transportation Fund

During the presentation both Village Council and residents asked questions of staff. Copies of those questions and answers are attached. If requested by Council, staff will provide a presentation for any of the remaining funds not discussed at the Saturday Workshop.

Following is the budget schedule for the remainder of the year:

- October 16, 2010 Coffee with the Council
- October 19, 2010 Council Meeting
- November 2, 2010 Budget Public Hearing
- November 9, 2010 Vote to Adopt Budget
- November 16, 2010 Adopt Estimated Tax Levy
- December 7, 2010 Tax Levy Public Hearing
- December 14, 2010 Adoption of Tax Levy

ATTACHMENTS

Answers to questions from Budget Workshop

Saturday, October 2 Budget Workshop Questions and Answers

General Fund

1. Can staff provide total staffing level and General Fund expense trends going back to the late 1990's? (Sandack)

Fiscal Year	Total Staffing Levels	General Fund Staffing	General Fund Personnel Expenses (in millions)	General Fund Expenses (in millions)
1999	373	340	\$ 19.42	\$ 27.08
2000	372	339	\$ 21.09	\$ 28.29
2001	378	344	\$ 22.99	\$ 30.61
2002	369	331	\$ 24.78	\$ 31.89
2003	370	334	\$ 25.68	\$ 32.97
2004	367	332	\$ 27.49	\$ 34.90
2005	372	337	\$ 28.34	\$ 34.40
2006	369	331	\$ 29.13	\$ 35.80
2007	369	331	\$ 31.39	\$ 42.72
2008	375	336	\$ 32.17	\$ 42.25
2009	367	327	\$ 31.71	\$ 39.28
2010	341	301	\$ 30.22 (estimate)	\$ 39.32 (estimate)
2011	329	291	\$ 31.08 (budget)	\$ 40.07 (budget)

2. What has been the increase in the property tax levy in the last 10 years adjusted for inflation? (Waldack)

Collection Year	Village Levy	CPI	Levy Adjusted for Inflation - 2002 dollars	Taxes Paid on \$100,000 EAV
2002	\$ 4,570,000.00	1.6	\$ 4,570,000.00	\$288.70
2003	\$ 6,243,000.00	2.4	\$ 6,093,168.00	\$367.50
2004	\$ 7,867,000.00	1.9	\$ 7,528,719.00	\$436.70
2005	\$ 8,595,000.00	3.3	\$ 7,941,780.00	\$439.30
2006	\$ 8,745,000.00	3.4	\$ 7,783,050.00	\$413.70
2007	\$ 8,679,000.00	2.5	\$ 7,507,335.00	\$379.90
2008	\$11,148,000.00	4.1	\$ 9,185,952.00	\$463.00
2009	\$11,133,000.00	0.1	\$ 9,162,459.00	\$442.23
2010	\$12,478,000.00	2.7	\$ 9,932,488.00	\$495.20
2011	\$13,376,000.00	1.1	\$ 10,500,160.00	\$524.60

3. What is the status of the agreement with the Fairview Fire Protection District? (Beckman)

As noted in the Annexation Initiative Report, the Fairview Fire Protection District continues to pay the Village a portion of the total amount due. The District made a partial payment in July 2010. In 2011, staff will contact the District to discuss this issue. Annexation will be introduced as a way to address the situation.

Water Fund

1. Will the rate increase have any further impact on consumption? (Schnell)

In the projections prepared by Municipal and Financial Services Group (M&FSG), and also in the 2011 Water Fund budget, it is expected that consumption will decline by 1% per year. M&FSG analyzed the

Village's consumption over the past several years and determined that a 1% per year decline would be an appropriate figure to use for future projections.

2. *How much water is the Village losing to leakage? (Beckman)*

The water distribution system leak detection survey is a contracted service that is conducted annually. Currently, the entire water system is surveyed over a two year period. Over the last two years, this program has identified subsurface water system leaks conservatively estimated at 476,240 gallons per day. Leaks are repaired by Public Works field crews as they are detected. Given the Village's current cost of water from the DuPage Water Commission at \$2.09 per 1,000 gallons, these leaks were costing the Village \$995 per day or \$363,299 per year. The cost to complete the leak detection survey for 2009 and 2010 combined was about \$33,000. Funds are proposed in the 2011 Water Fund budget to complete the leak detection survey for the entire water system annually.

Capital – Streets

1. *Can staff adjust the model showing future year roadway infrastructure investment to account for inflation? (Barnett)*

Yes, this model will be refined to better reflect projected actual future year costs.

2. *What would be the cost and other related impacts associated with maintaining roads in the village at a condition of fair or better? (Barnett)*

It is difficult to say for sure at this point in time without significant additional analysis. The increase in cost would not necessarily be linear, but if the Village were to target a minimum condition of fair or better, resurfacing cycles would need to occur approximately every 15 years, instead of every 20 years. Preliminarily, staff estimates that this would increase required yearly maintenance expenditures by 25% to 30%, and may require additional dedicated engineering staff to oversee the program. If desired, staff can provide additional detail prior to the 2012 budget discussions.

3. *Is there a desired industry standard for roadway condition? (Schnell)*

The desired standard for roadway condition is very subjective. Engineers typically view it as a function of pavement condition (ride quality, etc.) but the general public often will consider other things like aesthetics. While crack filling is a very useful and cost-effective maintenance tool, many people perceive it to be unsightly and a sign that a roadway is in poor condition. Staff believes that targeting a minimum condition of "Poor", through a regular program of maintenance activities, is the most cost effective approach. While everyone will view a "poor" street differently, staff believes this to be the point at which our overall costs for roadway maintenance will be optimized. It is important to remember that this is a minimum condition target, which will put the vast majority of our streets into the Good, Satisfactory and Fair categories at any given time.

4. *What is the standard for maintenance for brick sidewalks? (Barnett)*

There is no stated different standard for maintenance of brick sidewalks. Staff will apply the same trip hazard threshold of 1-1/8" that is used for concrete sidewalks. While brick sidewalks act differently than sidewalk slabs, it is still be an appropriate measure of settlement. In some cases, maintenance of brick sidewalks consists of resetting the bricks to address trip hazards. In other cases, the brick sidewalks will have to be replaced with concrete.

Debt

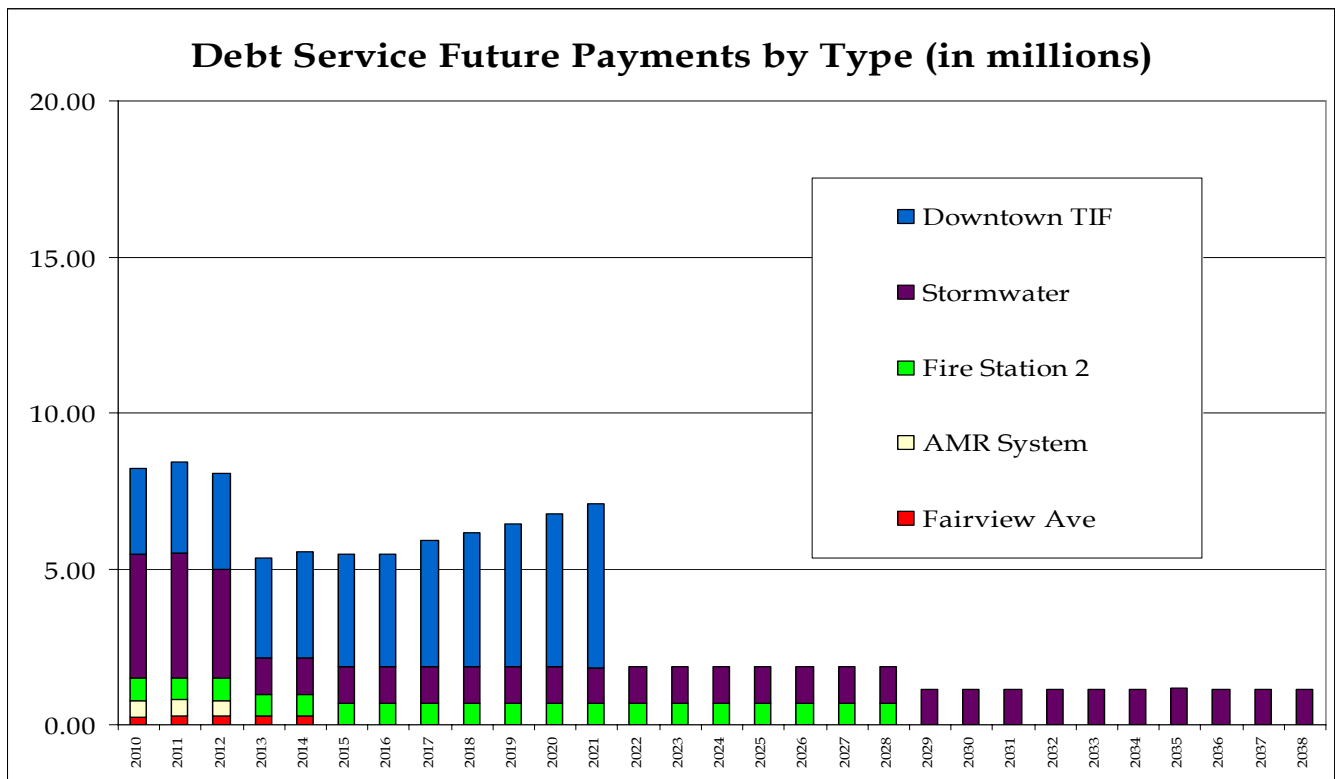
1. What is the long term debt plan for existing and proposed debt? (Waldack, Barnett)

The Village Long-Term Debt Plan has sufficient money available to repay the existing Village debt from the current dedicated revenue sources (home rule sales tax, property tax for stormwater, TIF increment, and water rates). Pages G-33 – G-35 of the 2011 proposed budget provide additional detail on the Village’s debt policy and all existing Village bonded debt.

In the summer of 2011, staff will determine the most cost-effective way to issue general obligation bonds in 2012 for high-priority capital purposes (stormwater, streets, water, etc). Beginning in 2013, annual debt payments paid from home rule sales taxes and property taxes decline on existing debt. These taxes could be used to pay for future debt issuances. Implementing the recommendations of the Water Rate Study will ensure the Village has adequate funds to pay off a new Water fund bond issuance in 2012.

Staff proposes in the 2011 budget to engage a qualified consultant to refine estimates for future TIF revenues to determine if the tax increment will be adequate to pay off TIF related debt in years 2014-2021. Staff believes the tax increment will be sufficient to meet the TIF obligations for at least the next 3 years. However, in 2014 the debt service payments begin to increase annually from 2011-2013 levels. Below is a graph that shows debt payments by source through 2038.

Existing Debt Service Schedule



Capital – Stormwater

1. Can the Village highlight the stormwater cost share program in the newsletter (Schnell)

Yes. Staff intends to increase community of awareness of cost sharing opportunities for private stormwater related projects through use of the website, Village Corner, Twitter, E-News, Hometown Times and DGTV. The message will include what types of projects are covered, who is eligible and how residents can apply. This information will be available beginning the week of October 18.

2. The residents on Davis are interested in having their street upgraded to include curb & gutter when the stormwater improvements are completed? How should this request be addressed? (Sandack)

The Village's practice for addressing these requests has been through the Special Service Area (SSA) process. An SSA would provide a financing mechanism for the requested improvements that are above and beyond what is planned. It should be noted that even though an SSA only requires a simple majority of residents and property owners of the subject area to support the proposal, the Village has historically sought a much larger percentage of residents (75% - 80%) to be supportive in order to move forward. This approach would require additional staff time to identify the costs of the requested improvements as well as any design impacts on the work already planned. This would also include a series of neighborhood meetings to discuss the project, its costs and the SSA process with the residents of the area. There is also the potential for this process to affect the timeline for the work that is currently planned to take place next year.

Transportation Fund

1. Where is the \$30,000 transfer related to the Transportation Fund? (Waldack)

A \$30,000 transfer had been made from the Fairview Avenue Debt Service Fund to the Transportation Fund. This transfer was discontinued in 2009. Local gasoline tax, which is the dedicated funding source for the Fairview Avenue Debt Service Fund, has declined and is just enough to cover debt payments.

2. Can staff prepare a memo describing the plan to address the accumulated deficit in the Transportation Fund? What is the impact of the accumulated deficit? What is the timeline of the transition to Highland Park model. (Barnett)

Staff is working on a memo to describe the impact of the accumulated deficit as well as alternatives to eliminate the accumulated deficit in the Transportation Fund. These alternatives will be presented and discussed during Long Range Financial Planning. The timeline to transition to the "Highland Park model" is four years.

Resident Questions

What is the detailed breakdown of the following?

Capital Projects fund – 2011 Budgeted local tax revenues of \$4,208,671

- \$3,600,000 of home rule sales taxes (0.50%),
- \$600,000 in telecom tax (1%), and
- \$8,671 in SSA #3 Price pond.

Stormwater fund - \$4,430,139 in budgeted 2011 local tax revenues

- \$2,630,139 in property taxes

- \$1,800,000 in home rule sales taxes (0.25%)

How many employees are in the Capital Projects and Stormwater Funds?

- Capital Projects Fund – 2.25 full time equivalent (FTE) positions
- Stormwater Improvements Fund – 3.5 FTE positions

What are the reasons for the increases over the previous year for the following?

Claims, grants, & debt, in general

During 2010, staff conducted an analysis of risk claims by department and reallocated each department's contribution to the Village's Risk Management Fund. This reallocation caused increases to this claims, grants, & debt in the Village Manager's Office, Legal, & Communications Departments.

Page C-5 – Village Manager's Office

Personnel – the increase is primarily attributable to the creation of an Emergency Management Coordinator position. This expense was offset by a decrease in Community Events related to the elimination of the Community Events Director Position (see Manager's Budget Message, page 5).

Page C-7 – Legal Department

Personnel – Increased to reflects costs of a part-time law clerk to assist with FOIA workload.
Professional/technical services – This line item includes contractual costs for outside legal assistance which can vary from year-to-year based on a number of factors. The FY2010 estimate reflects a drop in this line item, and the FY2011 budget reflects a return to the FY2010 budgeted amount.

Page C-11 – Public Works

Controlled Assets – Increased \$12,500 due to the planned purchase of a new locator for permit/technicians and other replacement equipment.

Page C-19 – Communications Department

Professional/Technical Services, FY2010 Estimate – A \$40,000 annual expense for the Community-wide notification system is not accounted for in the FY2010 budget, but paid with funds received through a settlement involving municipalities throughout the State of Illinois. The settlement stipulated that this funding cannot be spent on "budgeted items", which from an accounting perspective, means that an offsetting revenue is recorded at the time the money is spent. Supplies – change reflects one-time software upgrades.