

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

May 8, 2012

Mayor Martin Tully called the meeting to order at 8:20 p.m. in the Committee Room.

Council Members Present: Mayor Martin Tully; Commissioners Marilyn Schnell, William Waldack, Sean P. Durkin, Geoff Neustadt, Bob Barnett and Becky Rheintgen

Staff Present: Dave Fieldman, Village Manager; Mike Baker, Deputy Village Manager; Enza Petrarca, Village Attorney; Judy Buttny, Finance Director; Nan Newlon, Public Works Director; Andy Sikich, Assistant Director, Public Works; Allison Deitch, Management Analyst; Doug Kozlowski, Communications Director; Dennis Burke, Human Resources Director; Bob Porter, Police Chief; Jeff Pindelski, Deputy Fire Chief; Tom Dabareiner, Community Development Director; Liangfu Wu, Information Technology Director; David Rau, intern; April Holden, Village Clerk

Village Manager Dave Fieldman said that infrastructure projects have been the focus of Long Range Financial Planning (LRFP) for the last few years. He reviewed the projects with respect to street maintenance, new sidewalks, water system improvements and stormwater. A list detailing these projects was displayed on the white boards. The purpose of tonight's session is to update the Long Range Financial Plan. It drives the day-to-day activities and the budget. Mr. Fieldman said the plan is working and recommended that Council continue implementation of the plan. He provided information on the following funds: 1) General Fund; 2) Water Fund; 3) Transportation Fund; and 4) Infrastructure Systems.

General Fund

Mr. Fieldman said the structural gap in the General Fund that was identified four years ago has been addressed. This year's budget is balanced. Budgeted expenses are \$1.4 million less than what was spent in FY07. Staff recommends continuing to implement the strategies of the LRFP.

Commissioner Durkin asked if the increase in expenses at 3-4% per year is due to personnel. The Manager said it is the projected increase, not above what is already projected.

Commissioner Neustadt asked the Manager to explain how the departments have taken to a culture of lean. Mr. Fieldman said when the economy shifted in 2008 and 2009, all staff members were asked for ideas. That has evolved into an innovation team, which began the current culture. He said directors try to have questions, not answers. The best ideas come from everyone.

The Mayor asked if there is longer range financial planning that needs to be done. The Manager said there is. He referenced the strategic plan efforts on the part of the Economic Development Corporation. He also said that staff has a pattern of planning one year with execution the following year. He said next year staff will expand the horizon. The Mayor emphasized the importance of continuing to look ahead.

Water Fund

Mr. Fieldman said that issue identified previously in the water fund was that water rates were not generating sufficient revenue to make improvements and pay for water. Upon implementation of the water rate study, the water fund is sustainable and as long as the recommendations are followed, it will continue to be so. The rates are sufficient to cover all operational expenses and only the water fund is used to cover water expenses. Next steps are to continue to implement the strategies per the 2010 water rate study.

Transportation Fund

Mr. Fieldman said the issue in the transportation fund was an annual operating deficit and accumulated deficit. The annual operating deficit has been eliminated. The bus riders and Pace pay all the costs of the commuter shuttle. The accumulated deficit will be retired over time. Next steps are to continue to implement the strategies identified last year.

Commissioner Rheintgen asked how long it will take to retire the debt. Judy Buttny, Finance Director, said it will be 15 to 20 years. The Mayor noted that we owe ourselves this money.

Commissioner Barnett said the recession drove the Village to better align revenue and expenses. Lean is a continuous effort and it is a necessary obligation to find savings. This effort is just starting.

Commissioner Schnell said the Village is very fortunate that we have employees that have embraced this, have sacrificed, and have come up with ideas. No suggestion is too small. We have buy-in from everyone. She said Council is appreciative of the sacrifices, innovation and ideas.

Infrastructure Systems

Mr. Fieldman said the issue with respect to infrastructure systems is that needs exceed existing revenue. Actions taken to address this is to prioritize needs, issue a bond for \$25 million for street reconstruction, and continue to make stormwater improvements. A \$3 million per year gap was identified. To address this Council considered a stormwater utility to phase in revenues and recently Council authorized a stormwater utility. Staff has begun a facility maintenance plan. Further, existing local gasoline tax has been dedicated to street maintenance.

Mr. Fieldman said the infrastructure annual maintenance gap is as follows:

Street maintenance	\$1.3 million
Stormwater maintenance	1.3 million
Streetlight maintenance	.1 million
Facilities maintenance	<u>.2 million</u>
Total	\$2.9 million

Yearly revenues, which are sustainable for the near future, are:

Stormwater utility	\$1.3 million
Local gasoline tax	.1 million
Debt service payment savings	<u>.3 million</u>
Total	\$1.7 million

The remaining maintenance gap is \$1.3 million. Next steps are to implement the stormwater utility in 2013 and to identify new revenues in 2013 for implementation in 2014.

Commissioner Durkin asked as to the savings if the debt service payments were accelerated. Mr. Fieldman said the need for repair of streets is great and delaying this would cost more than the savings realized from accelerating the debt service payments.

Commissioner Waldack said that eventually he would like the Village to get out of debt and to use a pay-as-you-go method of funding. The stormwater utility has taken the burden off the taxpayer and put it into a separate fee. He expressed concern as to the impact credits and incentives could have, as well as actions of future Councils which may eventually add to the tax rolls.

The Manager said staff hopes to transition to a pay-as-you-go system on street reconstruction by 2019.

Commissioner Barnett said the cost differential is not as great as it seems due to interest rates and inflation.

Commissioner Schnell commented that the Village must put money into the maintenance of streets to keep them from failing.

The Manager recommended continuing with the strategies identified last year.

The Mayor asked for public comments.

Mr. LeCren said with respect to the water fund, the rates are expected to go up. Mr. Fieldman said this needs to be reviewed annually as part of the budget, but not as a long range financial plan issue. The system is structurally sound.

Commissioner Durkin highlighted the Standard and Poor's credit rating report indicating that the Village's financial management practices are considered strong and likely sustainable, and that the Village has demonstrated an ability to make structural budget adjustments.

Commissioner Barnett asked if these recommendations should be codified. Mr. Fieldman said he will place this on a future agenda.

Commissioner Durkin asked if staff has received requests to speak with other communities. The Manager said the Village is clearly recognized as a lean organization and has presented to the DuPage Mayors and Managers Conference, the Village of Westmont, the Alliance for Innovation, the American Public Works Association, the Illinois Police Chiefs Association and other groups.

Commissioner Durkin asked about the National League of Cities and the Illinois Municipal League. He said this is outstanding work and the Village is ahead of the curve.

There being no further discussion, Mayor Tully asked for a motion to adjourn. Commissioner Schnell moved to adjourn. Commissioner Durkin seconded the Motion.

VOTE: YEA - Commissioners Schnell, Durkin, Rheintgen, Barnett, Neustadt, Waldack, Mayor Tully

Mayor Tully declared the motion carried and the meeting adjourned at 9:10 p.m.