

## **MINUTES OF COUNCIL BUDGET REVIEW WORKSHOP**

### **VILLAGE OF DOWNERS GROVE**

#### **DOWNERS GROVE, ILLINOIS**

**OCTOBER 6, 2012**

Mayor Martin Tully welcomed Council, staff and visitors to the budget review session at 8:03 a.m. at Fire Station 2, 5420 Main Street.

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

**Absent:** None

**Staff:** Village Manager Dave Fieldman; Deputy Village Manager Mike Baker; Village Attorney Enza Petrarca; Director of Community Development Tom Dabareiner; Director of Communications Doug Kozlowski; Director of Public Works Naneil Newlon; Fire Chief Jim Jackson; Police Chief Bob Porter; Director of Financial Services Judy Buttny; Director of Information Services Liangfu Wu; Budget Officer Steve Sanderson; Assistant Director of Public Works, Stan Balicki; Director of Human Resources Dennis Burke; Deputy Police Chief Kurt Bluder; Deputy Fire Chief Matt Daly; Stormwater Administrator Karen Daulton Lange; Public Works Intern David Rauch; Management Analyst Allison Deitch; Village Clerk April Holden

**Residents:** Tom LeCren; Mark Thoman; Anthony Cheng; Chris Fregeau; Susan Walaszek; Greg Hosé, Todd Paradise

Mayor Tully welcomed everyone to the budget review session. He said this is the beginning of a long and important process to talk about how to finance projects in fiscal year 2013 (FY13). This process will end with the adoption of the budget. There will be a number of opportunities for the Council and public to review and comment. He explained that the proposed budget is the result of work that began a long time ago. The budget reflects previously discussed projects. This is to put plans into action and to implement them. He then asked Village Manager David Fieldman to begin his presentation of the FY13 Village of Downers Grove budget.

Village Manager Dave Fieldman presented a brief summary of the proposed FY13 budget. This is the first of many public meetings at which the budget will be discussed. There are many opportunities for input. Using a PowerPoint presentation, the Manager displayed the schedule of meetings that are planned for discussion between now and the adoption of the property tax levy.

The proposed budget and related items will be discussed through the middle of December. Most discussion will take place during Village Council meetings on Tuesday nights.

Mr. Fieldman explained that this budget is the result of many long term planning efforts. Because of these planning efforts, there are no surprises or new concepts in this budget. It is the implementation of the plans including the Long Range Financial Plan (LRFP), the Stormwater Utility Report, the Stormwater Master Plan, the Watershed Infrastructure Improvement Plan, the Water Rate Study Report, the Road Condition Report, and the Sidewalk Matrix.

There are four key points to the FY13 budget:

- It implements the Stormwater Utility. Implementation reflects three policy decisions made in 2012 and affects many portions of the budget. There are five major impacts occurring in three Funds.
- It reduces the Village property tax levy by \$1.98 million.
- It includes a balanced General Fund.
- It continues significant investment in the Village's infrastructure systems.

The budget is a plan for how we will use the Village's financial resources in 2013; however, there are risks to the budget as many revenue sources are outside of the Village's direct control. The State controls many Village revenues. Actions by the General Assembly could reduce Village revenues. Further, many revenues are related to economic conditions and changes in the economy could affect Village revenues. Plans to address this include continual monitoring and forecasting, quarterly reports, and mid-year budget discussions and adjustments, if necessary.

Mr. Fieldman said the Funds would be presented in three sections: General Fund and Related Funds, Enterprise and Capital (Infrastructure) Funds, and TIF and Other Funds. Mr. Fieldman then presented a bar chart depicting the revenues and expenses in each Fund.

### General Fund and Related Funds

The General Fund is the Village's main operating fund, supported by many revenue sources. The vast majority of Village services are provided through this fund.

There are specific recommendations in the LRFP that are being implemented in the FY13 budget, including increasing operating efficiencies, reducing personnel expenses, partnering with others, enhancing the revenue base, and adjusting property tax and other revenues as needed.

Mr. Fieldman presented a slide of the General Fund expenses over time. The budgeted expenses are \$41.6 million. This is \$1.1 million less than the actual expenses in FY07 – the year in which expenses peaked. Stormwater related expenses that were historically included in the General Fund have been shifted to the Stormwater Fund. This means that General Fund expenses have

been reduced by \$815,000.

Mayor Tully said adoption of the stormwater utility is a major change and has a number of impacts. It is critical to understand the financial impacts of this action.

Mr. Fieldman said General Fund expenses have been reduced by \$815,000. Even without this shift in stormwater related expenses out of the General Fund, expenses in FY13 would be \$275,000 less than expenses in FY07.

Total expenses in the General Fund are comprised of personnel and non-personnel expenses. Personnel expenses account for 78% of General Fund expenses and include wages, health benefits, and post employment benefits (pensions). Expenses are budgeted to be \$32.7 million. This is a 3.1% increase over the FY12 budgeted amount. This increase is driven primarily by public safety pension expense increases which are up over 13%.

Health benefit related expenses are up 5% which is significantly less than the national average of a 9% increase. Salary increases are budgeted to be 2%. These expenses have been controlled by favorable salary terms in the collective bargaining agreements that were approved within the last 12 months.

Non-personnel related expenses are budgeted to decrease by nearly \$700,000 – a reduction of over 7%. Mr. Fieldman said that \$400,000 of the decrease is due to shifting expenses to the Stormwater Fund and \$300,000 of the decrease is due to the implementation of the LRFPP recommendations including lean concepts that are being applied throughout the organization.

Mr. Fieldman then reviewed General Fund revenues. There are multiple revenue sources that support the General Fund. Revenue is budgeted to be \$41.6 million, which is down slightly from 2011 and 2012. Property tax revenue is down \$815,000 due to the implementation of the Stormwater Utility – now using fees instead of property tax.

Sales tax revenues are budgeted to increase modestly as the recent growth trend is expected to continue. Sales taxes are budgeted to be the Village's top revenue source in the General Fund.

Most of the other revenue sources in the General Fund are budgeted to increase slightly.

Mr. Fieldman then explained the proposed Village property tax levy. Property taxes are a major revenue source in the General Fund. While a small amount of the property tax levy is used in the Capital Fund, most of the property tax revenue supports the General Fund.

The Village levies a specific dollar amount. This means that the Village receives the amount levied. It does not matter if property values increase, decrease, or remain the same as the Village receives the amount it levies in property taxes.

The Township Assessor determines the taxable value of the properties that are located within the Village and that will be subject to the Village levy.

The Village does not levy a rate. The tax rate is simply determined mathematically by dividing the Village's levy by the taxable value of all properties within the Village.

The Village levies a dollar amount. In 2012, \$12.98 million was levied. In 2013, the proposed levy is \$11 million, a reduction in the levy of about \$1.98 million or 15%.

The total levy consists of several components. Two of the levy components will be decreased because of the Village's implementation of the Stormwater Utility. The Corporate Levy or General Levy will be reduced by \$815,000 – the amount equal to the stormwater related expenses that are being shifted from the General Fund to the Stormwater Fund. The Capital component of the levy will decrease by \$1.66 million. This component used to be called Stormwater because all of the money levied was used to make payments on the 2008 stormwater bonds. The Village will now be using stormwater fees to make the remaining payments on the 2008 stormwater bonds. The total decrease in these two components is \$2.47 million. The Village will reduce the levy by this amount as we begin to fund stormwater related activities using monthly stormwater fees.

Two components of the levy are increasing. The Village must levy a specific amount for contributions to the Police and Fire Pension Funds. These contributions are required by state law and will increase by \$497,000. The net result of these changes is a total levy that is \$1.98 million less than in 2012.

The Township Assessor has indicated that the Village's total Equalized Assessed Value (EAV) is expected to decline by 7%. With the Village levy and the total EAV both declining, the resulting Village tax rate is also projected to decline from .5787 in 2012 to .5215 in 2013. A typical house in Downers Grove which had a market value of \$300,000 in 2012 and a taxable value of \$100,000 would have an EAV of \$93,000 assuming a decline in value by 7%. With the drop in the Village levy combined with the drop in the EAV, the typical house will pay about \$485 to the Village in property taxes in 2013. This is approximately \$94 less than was paid to the Village in 2012. Mr. Fieldman noted that there are many taxing bodies on a tax bill and most of the property taxes paid go to taxing bodies other than the Village. The Village accounts for only about 10% of the total tax bill. It is possible that the total taxes paid to all taxing bodies may increase even as the amount paid to the Village is decreasing by about 15%.

In summary, Mr. Fieldman said the General Fund includes revenues and expenses of \$41.6 million. Personnel expenses are controlled and the fund reflects a decrease in non-personnel expenses. Revenues decrease slightly overall. A \$1.98 million tax levy reduction is proposed.

Commissioner Neustadt asked for the penny diagram used in the past as a tool for the Council to help explain the tax bill.

Commissioner Waldack noted a correction in the budget message. He also pointed out that in previous years for every \$25,000 the Village spends, it is \$1.00 on the tax bill. According to his calculations, in FY13, \$1.00 on the tax bill represents \$21,000.

Commissioner Schnell asked if the Manager could highlight why there was an increase in the pensions portion of the Village's tax levy. The pension funds include both employer and employee contributions.

The Manager said the Police and Fire Pension Funds are well managed. The Village contributes 100% of the annual required contribution each year. The ratio of plan assets to annual benefits paid is 16:1 for both plans. The increase in the levy is due to the actual rates of return on investments. Also, there was an adjustment to the assumptions in terms of the expected returns. The Village is required to make up the difference. In terms of employee contributions, police contribute 9.91% of their salary to the pension expenses, and fire employees contribute 9.455%, as set by the State.

Commissioner Schnell said if investments exceed projections, next year's levy could be reduced.

Commissioner Neustadt noted that the Manager and Finance Director sit on the pension boards, and are knowledgeable about the funds.

The Mayor said the target is set by the State and we are required to meet the target annually. He asked as to the Village's requirements. The Manager said we are mandated by law to meet the annual required contribution. Most municipalities make their payments.

The Mayor asked Mr. Fieldman to discuss other costs to a resident besides one's property tax bill. Mr. Fieldman then presented a slide showing fees and taxes that are new or have been changed for 2013 for a typical property in Downers Grove. In 2013, the costs of property taxes, stormwater fees, electricity bill, and water usage on a typical house are estimated to be \$253.14 less than in 2012.

Commissioner Neustadt noted that the budget is the culmination of the LRFP and changes have resulted in a reduction in the General Fund expenses. The Village is well-positioned for the FY13 budget.

Commissioner Schnell said she does not think services can be added to the budget as it is unclear as to decisions that could be made by the State that may reduce revenues.

Commissioner Barnett said this only works because everyone has embraced lean concepts. It is critical to stay focused on increasing operating efficiencies, reducing personnel expenses, partnering with others and adjusting fees regularly. He reiterated that 78% of costs are personnel.

The Mayor noted that the strategies implemented have been successful and it is important to keep pursuing them.

Commissioner Schnell noted that what was acceptable 20 years ago is not acceptable now. The challenge is to meet expectations within a financial framework that works.

The Mayor said he would like a more detailed explanation of inter-fund transfers. He said he understands that these transfers are in accordance with generally accepted accounting principles.

The Manager said these transfers reflect the costs of administrative support provided by staff members in various departments in the General Fund to other Village funds. He then addressed "Other Financial Uses," and said this is an example of taking money out of the General Fund and moving it into the Risk Fund.

Commissioner Rheintgen expressed appreciation for including the noteworthy changes section for the various funds.

Commissioner Barnett said most taxes are based on a transactional value. There is not a transactional value to owning a house. Property taxes are the method of allocating cost of services. The more we understand that, the more the budget, tax bill, and LRFP process will make sense.

Chris Fregeau, 1918 Elmore, noted there is an email address regarding the stormwater utility cost for one's property. She asked about associated staffing. The Manager said the email address is [swutility@downers.us](mailto:swutility@downers.us). All new staff will be charged directly to the Stormwater Fund.

The Mayor said all expenses will be solely contained in the Stormwater Fund. The Manager concurred.

Tom LeCren, 545 Chicago, asked when electricity bills will be reduced. The Manager said there are different billing cycles. He said staff will look into this matter.

#### Health Insurance Fund and Risk Management

Deputy Village Manager Mike Baker said the Village is self-funded for both the Health Insurance and Risk Management Funds, which means the Village is responsible for how the funds are managed and assumes most of the costs or liabilities that appear as expenses in these funds. The Village does maintain coverage to protect ourselves from catastrophic claims. The Village has also taken several strategic steps to control costs and promote employee well-being.

The Health Insurance Fund expenses have risen from an estimated \$6.1 million in 2012 to \$6.4 million in 2013. This increase is approximately 5%, which is well below national averages. In Budget Session – October 6, 2012

the past year, the Village has selected and begun working with a new health insurance consultant. With their assistance, along with a strong interdepartmental wellness team, we have also kicked off an aggressive wellness initiative.

The Risk Management Fund has seen expenses drop from \$2.1 million in 2012 to a budgeted amount of \$1.5 million in 2013. This fund is more susceptible to the fluctuations in claims activity that occur from year to year. And similar to the Health Fund, there has been a strong focus on controlling costs and promoting employee safety and well-being through new contractual relationships and new safety initiatives.

The Mayor said these expenses can fluctuate wildly and he appreciates the efforts of all departments.

Commissioner Neustadt said this is another example of lean management.

#### Fleet Services and Equipment Replacement

Mr. Baker then discussed Fleet Services and Equipment Replacement Funds. Revenues come into these funds as charges from the user departments, most of which are accounted for in the General Fund. Those revenues are used to support ongoing fleet operations and the plan for the replacement of equipment that will fluctuate from year to year because of the varying purchase cost of the equipment due for replacement.

The expenses in the Fleet Services Fund have risen slightly from \$1.7 to \$1.8 million, mostly attributable to rising personnel costs. Over the past several years however, our efforts to maintain the fleet in a more sustainable and innovative manner have grown. The fleet includes alternative vehicles which are critical to reduce fuel consumption. In addition, the size of the fleet has been reduced by over 10% in the past several years.

The Mayor said the Village has been a leader in the use of alternative fuels, the lean mentality, and working with others.

In the Equipment Replacement Fund, expenses are increasing from \$1.2 million in the 2012 estimate to \$1.7 million in the 2013 budget. The total cost of planned replacements is higher than usual in 2013, which means that we will be drawing down the fund balance slightly. Vehicles and equipment identified in the budget for replacement are determined based on a well-established, yet flexible plan. The interdepartmental fleet team thoroughly reviews equipment bids before they are released in order to ensure that they are necessary and designed to meet the service-related need.

Commissioner Waldack noted that purchases come to Council before they are approved.

Commissioner Durkin asked about leasing vs. buying. The Manager said that after extensive

review in the last two years, staff determined that we are in a position to fund these less expensively ourselves.

Commissioner Durkin clarified that he was referring to technology because of life expectancy and changing technology. The Manager said staff reviews changing technology regularly; these are fully vetted.

Commissioner Durkin asked if the list of replacement cars is a recommendation. The Manager said everything on the schedule will be reviewed to determine if an item should be replaced or deferred to a future year.

Commissioner Waldack asked about Virtual Desktop Infrastructure (VDI). The Manager said staff will provide a report on this item.

Commissioner Schnell asked if the Explorer has to be replaced with another one. The Manager said staff will review it in terms of the right size and alternative fuels.

Commissioner Rheintgen asked where the revenue from intergovernmental agreements could be found.

Judy Buttny, Finance Director, said that revenue is in “Fees, Charges & Fines.”

Anthony Cheng, 5507 Aubrey Terrace, suggested defining the acronyms. He asked if more detailed information is available regarding replacement items. The Manager responded that there is not a standard form, but information can be made available on our website. Mr. Cheng asked if there is a five-year strategy for IT replacements. Mr. Baker said the Technology Commission reviews the costs and benefits of replacements.

### Police and Fire Pension Funds

The next two funds considered were the Police and Fire Pension Fund. The Pension Funds rely on property taxes as a primary source of revenue, in addition to member contributions and investment income. It's important to note that these are trust and agency funds, which means that they are designated for the safekeeping and operations of the local pension system. There is very specific and well-defined State statutes that establish how these funds are to be maintained, and limit the Village's control and financial management. Autonomous boards exist for both the Fire and Police Pension Funds and the make-up of their members is specifically defined by State law. Those pension boards exercise primary control over the pension funds. This means, even though these funds have traditionally been presented as part of the Village's overall budget, the Council does not set or control them. They exist as designated trust funds for the safe keeping and operations of the pensions. The Village's ability to influence the expenses or obligations of these funds comes through setting staffing levels and salaries. These funds are financially sound.

We currently maintain a 16:1 ratio of net assets to benefits paid and the Village makes 100% of

the required contributions to the pension funds.

### Enterprise and Capital (Infrastructure) Funds

These funds include streets, sidewalks, stormwater, and water. The Village spends over half of its infrastructure funding on the street system. Nearly a quarter of the funding is spent on the water system and over 10% on the stormwater system.

### Stormwater Fund

Mr. Fieldman said the FY13 budget proposed revenues of \$3.4 million – almost exclusively from stormwater fees charged to all property owners in the Village as part of the stormwater utility which will be launched on January 1, 2013. Expenses are estimated at \$6.0 million. The expenses exceed revenue as the Village continues to spend the proceeds of the 2008 stormwater bonds on needed improvements outlined in the Watershed Infrastructure Improvement plan.

Mr. Fieldman reiterated that implementation of the stormwater utility is one of the key points of the FY13 budget and affects the budget in five major ways in three different funds. As previously discussed, the first two impacts affect the General Fund and Property Tax Levy. The next two impacts are in the Stormwater Fund. The Stormwater Fund will become an Enterprise Fund and the stormwater fees charged to all properties in the Village will generate \$3.3 million in revenue. All properties will be charged fees based on impervious area.

Mr. Fieldman then introduced Nan Newlon, Director, Public Works, to discuss the stormwater program.

Nan Newlon, Director, Public Works, said the Village has three objectives for the Stormwater Program: The first is to maintain and improve the stormwater systems in accordance with the Stormwater Master Plan. This work includes replacing storm sewers that have reached the end of their useful life, cleaning and stabilizing channels and creeks, maintaining and dredging stormwater storage facilities, and performing system maintenance. The second objective is to maintain and operate the system in compliance with the requirements of the Federal Clean Water Act. This is done by performing regular system inspections and reporting, permitting soil erosion measures for new construction, and constructing water quality improvements to meet the increasing requirements of the Act. The third objective is to continue to improve the system by constructing projects identified by the Watershed Infrastructure Improvement Plan (WIIP).

In addition to constructing new capital projects in 2013, staff will continue to work with residents to complete cost share projects and investigate and address new drainage complaints.

There are three major watersheds or drainage areas in the Village that are named for the creeks they ultimately drain to – Lacey Creek in the northern part of the Village, St. Joseph's Creek in the central part of the Village, and Prentiss Creek in the southern part of the Village.

These three creeks have a total of 11 miles of streambanks and make up the backbone of the Village's drainage system. About 2/3 of the Village is drained by a storm sewer system which is made up of 130 miles of storm sewers and 7,000 drainage structures.

Ms. Newlon showed slides depicting areas that are drained with old clay drain tiles. These can be found in residents' back yards, as well as many Village rights-of-way in older areas. She said that replacement of failing infrastructure continues to be a high priority. She noted that the entire system was cleaned and mapped this year.

There are roughly 315 stormwater basins throughout the Village which temporarily store water during storm events and help alleviate flooding. The vast majority are private, but the Village owns and maintains several regional facilities such as those at Washington and McCollum Parks, 8<sup>th</sup> and Cumnor, and 2<sup>nd</sup> and Cumnor.

The project at 2<sup>nd</sup> and Cumnor was completed in 2012 and is a great example of the Village working with residents and neighbors to create a cost-effective solution within an already built neighborhood. This project significantly reduces the impacts of flooding while providing improved water quality, and habitat and recreational benefits. Ms. Newlon said this project was recently awarded the outstanding stormwater project of the year for projects less than \$5 million by the Illinois Section of the American Society of Civil Engineers.

Ms. Newlon said the FY13 budget includes a total of \$3.02 million for storm water maintenance, WIIP identified projects, and storm sewer replacements. She said \$2.45 million is for capital maintenance. She provided a list of the proposed capital projects.

Commissioner Durkin asked for an explanation of compliance dredging. Mr. Fieldman said this is part of an intergovernmental agreement with the Park District for Barth Pond. It is a one-time expense.

Commissioner Neustadt asked about the cost-sharing program. Ms. Newlon said they are seeing more use of it. As the system improves, there are more opportunities for connections on private property.

### Water Fund

Stan Balicki, Assistant Director, Public Works, provided a summary of the Water Fund for FY13. He referenced the completion of the water rate study in 2010 and the early 2012 increase by the City of Chicago in the cost of water. He said the Water Fund is projected to be balanced for the year 2013 and staff is proposing to move forward with planned capital projects.

The objectives of the Water Fund are to provide clean, safe, and reliable water service to residents and commercial establishments in and around the Village, to operate and maintain the water system in the most cost-effective manner, and to achieve stable and sufficient water rates.

The water system serves a residential population of approximately 50,000 with a service area that includes all areas within the Village limits and a limited area outside the Village. The primary source of water supply for the Village is from the DuPage Water Commission.

The water distribution system is a significant Village infrastructure investment which includes seven elevated water storage tanks, six rate control stations, over 200 miles of water distribution main, 2600 fire hydrants, 2700 main line valves, and the supervisory control and data acquisition system (SCADA). The system is operated on a daily and emergency basis by the Water Division, of Public Works.

The Village completed a water rate study in 2010. The goal of the study was to review current and future water rates to ensure there is adequate funding for future operations and maintenance as well as identified capital maintenance and improvement projects. The major fund expenses include: Operating and maintenance expenses, which includes the purchase of water; capital improvement projects; outstanding debt; and contributions to reserves.

Mr. Balicki then presented a slide showing the proposed, multi-year water rate increases that were recommended by the water rate study, as well as the proposed rate increases as a result of the increased cost of purchasing water. In 2011 the water rates were increased by 14%, in 2012 25%, and in 2013 the rates are planned to increase by 18%. Mr. Balicki provided a breakdown of the projected expenses in the fund for 2013. He said \$7.14 million, or about 40% of the expenses are the cost of water. Another \$3.72 million, or 21%, is the cost of operations and maintenance, and \$6.37 million is for capital projects. The Village continues to spend capital dollars from the 2012 bond issuance. Mr. Balicki reviewed the capital projects planned for 2013.

Commissioner Schnell asked if the watermain replacements and watermain loops will be bundled with other projects when possible. Mr. Balicki said they would be.

Commissioner Schnell noted that the increases discussed are not just for capital projects. These increases are because the City of Chicago has increased their rates. Mr. Fieldman responded that Chicago raised their rates more than expected. The increases are in reaction to these rate hikes.

Commissioner Schnell asked if any other enhancements will be made to the AMR system. Mr. Balicki said staff is looking at possible upgrades.

Commissioner Schnell asked if the AMR system accomplished its goals. The Mayor noted that it was supposed to pay for itself.

Mr. Fieldman said it accomplished its goals in two areas – it reduced time and money spent to read meters and it better tracked lost water. He noted that it is difficult to attribute lost water to AMR due to other systems in place.

Commissioner Schnell asked about the ability to identify a problem due to a spike in water usage. Mr. Balicki said staff is able to see these problems and notify homeowners. The Manager said the ability to identify leak detections has been very successful.

Commissioner Waldack noted that in addition to the rates raised by Chicago, the DuPage Water Commission also raised their pass through rates. The Manager said staff has detailed records of individual costs.

Commissioner Neustadt asked about facilities. Mr. Balicki said this is the facility at the Maple tower site.

Commissioner Durkin asked about interest income. Mr. Fieldman said this is interest from the \$10 million bond proceeds.

Commissioner Durkin noted that the formation of a Joint Action Water Agency is under discussion in the southern suburbs because of the fees. He asked if staff knows of any legal action that municipalities might be taking against the City of Chicago.

The Mayor noted DuPage Water Commission Chairman Zay's comments regarding the unsatisfactory report that the Commission received regarding the justification and tracking of the increases.

Chris Fregeau, 1918 Elmore, asked about the amounts estimated for "Fees, Charges & Fines." Mr. Fieldman said it is hard to predict commercial permitting activity. They pay very large tap in and capacity fees. Staff cannot assume that large commercial developments such as Midwestern will continue.

#### Parking Fund

Mr. Baker said that, with respect to the Parking Fund, recommendations of the Downtown Parking Study will continue to be implemented in 2013. A fee update is proposed to go into effect in mid-2013. Further, staff will work with Metra and BNSF to explore additional opportunities to meet commuter parking demand.

#### Capital Projects Fund

This fund includes several infrastructure systems, including streets, sidewalks, bikeways, traffic signals, and other projects. Revenues are projected at \$7.9 million. Revenue sources include property tax, home rule sales tax (HRST), telecommunication tax and the Village's local gasoline tax. Expenses are budgeted to be \$19.2 million, and the majority will be spent on street reconstruction and maintenance. Expenses exceed revenues as the Village continues to spend the proceeds of the 2012 bonds for street reconstruction.

The fifth and final major impact of the implementation of the stormwater utility is shown in the Capital Projects Fund. The creation of the utility shifts \$1.95 million of home rule sales tax from the Stormwater Fund to the Capital Projects Fund.

Mr. Fieldman said in 2008 a plan was created for three bond issuances, all for stormwater improvements, to be funded by property tax and home rule sales tax. The series of bonds would be structured so that the total debt service payments on all three bonds would be about \$4 million per year and the bonds would be paid off using property tax and home rule sales tax.

In 2012, the bond issuance plan was changed to address an increasing need to reconstruct streets. At the same time, the Village implemented the stormwater utility which changed the funding sources for the 2008 bonds from property tax and home rule sales tax to stormwater fees. These two changes result in the shifting of \$1.95 million of HRST revenue from the Stormwater Fund to the Capital Projects Fund to make the debt service payments on the 2012 bond issuance for street reconstructions. The level debt service plan is still in place.

Commissioner Schnell noted that the shift of monies to streets does not mean stormwater projects were abandoned.

The Mayor said an even greater focus has been put on stormwater projects.

Mr. Fieldman then asked Ms. Newlon to discuss the streets plan.

Ms. Newlon said over 50% of the Village's capital resources are dedicated to the streets system and she outlined plans for 2013. The Village's objective for the street program is to maintain existing streets at the most cost effective level. In summer 2010, staff prepared a Road Condition Report and determined the condition of each street in the entire roadway network. This report allows us to systematically manage the maintenance of the system.

Every effort is made to coordinate the timing of street projects with other infrastructure projects, like water main, storm sewer and sanitary sewer replacements. This minimizes costs and reduces inconvenience to residents.

The Village owns and maintains 331 lane-miles of roadways. About 60% are drained with curb and gutter and storm sewer, and the remaining 40% with roadside ditches and culverts.

Ms. Newlon showed a graph to explain the importance of on-going street maintenance. It depicts the theoretical decline of a pavement over time. A pavement will perform at a relatively high level for several years before its condition drastically drops off. The key to a cost-effective roadway maintenance program is to perform maintenance activities while they are still in the top four pavement categories – good, satisfactory, fair, and poor – where they can be maintained with traditional treatments that include crack filling, patching, and milling and overlay. Through a regular maintenance program, a street can provide an adequate level of service for a lower cost

for decades. She then presented a slide of streets representing those condition categories that will likely need reconstruction in the near future. They range from very poor to failed, and in general have fallen below the level where they can be effectively maintained through regular maintenance practices. Ms. Newlon said staff is in the process of removing and replacing streets in this condition and ensuring that those streets in better condition are kept out of these bottom three categories through regular maintenance.

Ms. Newlon then presented pie charts showing the pavement condition ratings for the Village's streets in 2010 and 2012. The percentage of streets in the good category has increased from 25% to 35%. The total percentage of streets falling in the worst three categories has decreased from 22% to 16%. These positive changes are a result of increased levels of maintenance and street reconstruction projects.

Ms. Newlon presented a table listing major street reconstruction projects that were identified by the Road Condition Report. In 2012 the Village issued a \$25 million bond to fund these projects, and this year the Knottingham and Valley View Estates projects will be completed.

In 2013 funds have been budgeted to complete street reconstructions in Concord Square Unit 2 and Oak Grove Unit 3. The plan is to construct all of these projects over the next several years with the \$25 million bond proceeds. Overall, next year \$5.5 million has been budgeted to continue the street maintenance programs, such as crack filling, patching, and resurfacing. A tentative list of streets to be included in the 2013 street maintenance program will be available by February 2013.

Also budgeted is \$7.6 million of the \$25 million bond in 2013 for streets reconstructions, and \$200,000 for design services in preparation for projects for 2014, for a total of \$13.3 million of street investments in 2013.

Commissioner Durkin asked if the projects for 2013 are manageable. Ms. Newlon said staffing needs will be evaluated based on the project.

Tom LeCren, 545 Chicago, asked about Washington Street repairs. Ms. Newlon said it is one of the first streets to be bid in 2013. She explained it was bid this year, but there were only two bidders and the cost was \$100,000 over budget.

Ms. Fregeau asked why the percentage of streets defined as "Failed" remains the same between 2010 and 2013. Mr. Fieldman said this is due to the fact that streets are downgraded as they await repair or reconstruction.

### Sidewalks

Ms. Newlon reviewed the sidewalk policy and matrix. She said the Village has constructed approximately 240 miles of sidewalks and approximately four miles are remaining to be

constructed. The objectives of the sidewalk program are to maintain existing sidewalks, continue implementation of the sidewalk matrix, and pursue right-of-way acquisition along Ogden Avenue. She showed photos of some of the sidewalks replaced under the sidewalk maintenance program as well as examples of new sidewalks constructed through the annual new sidewalk program. Ms. Newlon commented that staff works very closely with residents in mature and developed neighborhoods and the end product is a safer environment for pedestrians, with as little impact as possible.

Ms. Newlon reviewed the segments of new sidewalk proposed to be constructed in 2013. They total over 9,000 lineal feet of new sidewalk or about 1-3/4 miles. Staff is in the planning stages for next year's program and meetings with residents on these streets are tentatively planned to begin in November. She then reviewed the planned sidewalk projects for 2013. She said \$191,000 is budgeted for the sidewalk maintenance program, \$650,000 for the new sidewalk construction, and \$300,000 is budgeted for right-of-way acquisition along Ogden Avenue for a total of \$1,141,500 in 2013.

Mr. Fieldman said some grant funding is available for Ogden Avenue; however, money is not budgeted for construction.

Commissioner Durkin asked as to the effect of sidewalk sawing. Ms. Newlon said it saves money, reduces liability, and reduces gaps. It provides for a higher level of service and saves money. Mr. Fieldman said it is three times more expensive to replace a sidewalk than to saw it.

Commissioner Rheintgen asked if the sidewalk policy will be reviewed as the matrix is completed. Mr. Fieldman said there are three opportunities per year to discuss the sidewalk policy.

Ms. Fregeau asked as to the cost of sidewalk per linear foot. The Manager said staff can provide that information. Ms. Fregeau asked that the Council continue to consider contingency areas. Ms. Newlon said staff has a contingency list.

#### Major Buildings Fund

Mr. Baker said a facility study has been completed. It provides a comprehensive view of the cost to upgrade facilities and for long-term facility maintenance. He said he anticipates this plan to be part of the LRF for 2013. Mr. Fieldman said staff is budgeting for maintenance needs. This fund needs to be discussed regarding long-term needs.

#### Tax Increment Funding (TIF)

The Downtown TIF has budgeted expenses of \$2.67 million for 2013. The estimated expenses for 2012 are \$2.4 million. Staff is continuing to follow LRF strategies.

Commissioner Schnell suggested that discussions begin early if the general property tax levy will be required to pay the debt service for the downtown public improvements.

The Ogden Avenue TIF has budgeted expenses of \$2.01 million for 2013. The estimated expenses for 2012 are \$416,128. The budget includes funding for targeted redevelopment assistance consistent with the Comprehensive Plan and Ogden Avenue Master Plan.

Commissioner Waldack asked that the dates the TIF funds expire be included on the budget documents. Mr. Fieldman said the Downtown TIF expires in 2020 and the Ogden Avenue TIF expires in 2023.

Mr. Baker then asked if there were questions regarding the remaining funds.

Commissioner Neustadt asked as to the Asset Forfeiture Fund. Mr. Fieldman said the Village is required to account for seized assets and the money can only be used for law enforcement purposes. Staff proposes using these monies for such items as facilities and CAD. He will prepare a plan for the Council.

Commissioner Durkin asked as to the Transportation Fund and the debt reduction payment. Mr. Fieldman noted that there was an operating deficit growing every year and an accumulating deficit. Pace operates the Grove Commuter Shuttle and revenues from Pace and the bus fares cover all annual operating expenses. The Village is responsible for retiring the accumulated deficit over time. As the economy recovers, interest income realized from the General Fund will be used to pay down the deficit.

Commissioner Durkin said this plan will have a positive impact on rating agencies. Mr. Fieldman agreed.

The Mayor said the Tax Rebate Fund has been discussed at length. The Fairview Avenue debt service will be retired in 2016.

With respect to the Library Fund, the Mayor suggested encouraging further successes with lean practices in the library.

Commissioner Neustadt suggested that the Library provide noteworthy changes on their budget documents. The Mayor said it is incumbent on Council to work with the Library. Commissioner Neustadt suggested a Coffee With the Council at the library in the future.

The Mayor said this is the first of many meetings regarding the FY13 budget. There will be many opportunities for public comments. He encouraged people to contact staff or Council members with comments.

Ms. Fregeau thanked the Council and staff for the presentation.

The Mayor extended his appreciation to the staff for their work. Mr. Fieldman recognized the members of the budget team: Judy Buttny, Allison Deitch, Mike Baker, Carol Hogan, Steve Sanderson, and David Rauch.

Commissioner Waldack said this is a good budget document; however, it is hard to make comparisons to previous years due to changes in the format.

Commissioner Waldack further noted that the total debt of the Village is \$127,030,508.

Commissioner Durkin noted that the budget is a reflection of the long range planning done as a team. It is a year long discussion.

There being no further discussion, the meeting was adjourned at 11:15 a.m.

April K. Holden  
Village Clerk