

MINUTES OF COUNCIL BUDGET REVIEW WORKSHOP

VILLAGE OF DOWNERS GROVE

DOWNERS GROVE, ILLINOIS

OCTOBER 5, 2013

Mayor Martin Tully welcomed Council, staff and visitors to the budget review session at 7:32 a.m. at Fire Station 2, 5420 Main Street.

Present: Mayor Martin Tully; Commissioners Sean P. Durkin, Geoff Neustadt, Bob Barnett; Becky Rheintgen; David S. Olsen; Greg José

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; Assistant Director of Public Works, Andy Sikich; Director of Human Resources Dennis Burke; Deputy Police Chief Kurt Bluder; Deputy Fire Chief Matt Daly; Stormwater Administrator Karen Daulton Lange; Risk Manager Chanay Mackey; Management Fellow Nick Santoro; Management Analyst Allison Deitch; Village Clerk April Holden

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 2014 (FY14). This process will end with the adoption of the budget. He reviewed the budget schedule. There will be a number of opportunities for the Council and public to review and comment. The budget document is on the Village's website. He thanked staff for their work on this document. He then asked Village Manager David Fieldman to begin his presentation of the FY14 Village of Downers Grove budget.

Village Manager Dave Fieldman presented a brief summary of the proposed FY14 budget. This is the first of many public meetings at which the budget will be discussed. There are many opportunities for input and outlined the schedule of meetings that are planned for discussion between now and the adoption of the budget and the property tax levy.

Mr. Fieldman reviewed the agenda for the meeting:

Budget Session – October 5, 2013

- Overview of the proposed budget
- Stormwater Fund and other capital funds
- General Fund and related funds
- All other funds

Mr. Fieldman explained that this budget is the result of many long term planning efforts. The budget is a one-year implementation plan of many multi-year plans, including the Long Range Plan, the Stormwater Utility Report, the Stormwater Master Plan, the Water Rate Study Report, the Road Condition Report, the Sidewalk Matrix, and the Bicycle & Pedestrian Plan.

There are five key points to the FY14 budget:

- Sustainable General Fund
- Improved use of fund balances and reserves
- Implementation of Patient Protection & Affordable Care Act (PPACA)
- No increase in tax levy for operations
- Continued investment in infrastructure – stormwater utility, streets, water & sidewalks

Stormwater Fund

The Manager asked Nan Newlon, Director, Public Works, to review the stormwater fund and other capital funds.

Nan Newlon, Director, Public Works, said the FY14 proposed Capital Budget is \$33 million, allocated by the following major program types: 44% for streets, 29% for stormwater; 15% for water; and 12% collectively for sidewalks, parking deck and parking lots, traffic and streetlights, and major buildings and public safety.

With respect to the Stormwater Fund, Ms. Newlon said it is an enterprise fund supported by fees. Estimated revenue for FY14 is \$3.68 million and expenses are \$12.8 million as the proceeds from the 2012 bond continue to be spent. The fund includes maintenance, capital improvements and payments to the debt service. The objectives of the Stormwater Fund are to support the goals of the Stormwater Master Plan and to meet the requirements of the Clean Water Act. Ms. Newlon then spoke of the 2013 April flood event and the projects identified as a result of that event.

The Village has three main watersheds – Lacey Creek, St. Joseph and Prentiss Creek. She showed before and after pictures of some of a stormwater capital improvement projects in St. Joseph’s Creek north branch. She showed before and after pictures of sustainable stormwater projects done on Washington Street, Grove Street and at Fire Station #3. She noted that the Grove Street reconstruction project included permeable pavers, rain gardens and provided traffic

calming.

In terms of the FY14 proposed budget, the revenues of \$3.68 million in the Stormwater Fund reflect a 10% increase in the stormwater utility fee, and the expenses reflect spending down the fund balance. The major expenses are \$1.14 million for the debt service, \$2.03 million for operations and maintenance, and \$9.55 million for 25 stormwater and drainage projects. She then reviewed those projects previously identified in the Community Investment Program (CIP) as well as projects planned for 2014 as a result of the recommendations of the 2013 flood report. Ms. Newlon concluded with an explanation of the stormwater maintenance activities and the current and recommended schedule of maintenance.

Mayor Tully asked if there were questions regarding the structure of the utility.

Commissioner Neustadt reminded everyone that there will be many meetings on the budget. With respect to the rate and structure of the stormwater program, he said the utility has been working. He noted that with 25 projects we need an appropriate rate.

Commissioner Barnett said he feels changes are needed in the structure of this utility. He acknowledged that some changes have been made to the program and that aspects of the program are working, but he feels changes to the structure of the utility still need to be made. He said the equity aspect is failing in his opinion. When this model was proposed it included parks and the school districts, but that has evolved, primarily from a political nature in his opinion due to state laws on tax caps. It also included a bond issuance that was placed on the property tax, which did not affect the not-for-profit organizations. The question regarding not-for-profit organizations has been consistently raised. He is not suggesting a lack of commitment to stormwater and infrastructure. We still have money from the 2008 bond issuances to fund the stormwater program. If we removed the 8% not-for-profit organizations and did \$12.3 million instead of \$12.7 million in stormwater improvements, it would be awfully hard to suggest there was a failure on our part to be serious about the long-term health of the stormwater system. He asked the Council to consider what the program would look like if it is amended in terms of how much is done and how fast it is done. The net effect on the utility is a question the Council can decide.

Mr. Fieldman explained how staff determined the proposed rate increase. He reviewed the funds needed to meet the standards of a fully functioning system, the funds generated from the stormwater utility, and the gap between what is needed and what is available. The general policy decision is to meet that gap in 15 years – 2028. He said there continues to be upward pressure on money needed to meet the standards of a fully functioning system, while, at the same time, there is pressure to keep the rates down.

The recommended fee increase is 10%. On a typical residential property the 2013 fee is \$8.40 per month and the 2014 recommended fee is \$9.24 per month.

Mayor Tully said he would like to go back to the structure question. Excluding the not-for-profit

groups decreases the fund by 8.77%.

Commissioner Olsen asked about the legal basis of the utility. He asked if the legal structure of the utility could be preserved if not-for-profit organizations were exempted.

Village Attorney Enza Petrarca said it could be; however, staff would have to consider how to distinguish between not-for-profit organizations.

The Manager said we have the ability to set the fees in whatever manner we want. The issue is how it affects the desired outcome.

Commissioner Barnett noted that everyone in a particular category, such as a 501(c)(3) would have to be treated the same.

Commissioner Rheintgen commented that if churches were exempted, we would then hear from other non-profit organizations.

The Mayor noted that if a non-profit organization leased their property or did not own it, they would not benefit from an exemption.

Commissioner Olsen said he is in favor of continuing the utility in its current form and to continue to evaluate it. It is important to show commitment to the structure and to be cognizant of the burden this places on all property owners.

Commissioner José noted that when the stormwater utility was first proposed the \$1.1 million debt service expense was not included and Council amended the proposal to include it..

The Manager said the fees pay for all the expenses, including the debt service.

Commissioner José said the debt service contributes to the increase in fees. He agrees with Commissioner Olsen to keep the utility as is and he encouraged people to take advantage of credits and incentives.

Commissioner Rheintgen said that the exclusions Commission Barnett is suggesting amounts to \$300,000. She asked if he proposed removing proposed projects and not adding that expense to other properties.

Commissioner Barnett said, in his view, the ten year picture minus \$300,000 does not appreciably move the Village away from the 2028 goal. To him, it is a structural question.

The Mayor said this it is appropriate to address this matter. The Village has significant stormwater needs that include management and unfunded mandates. The Village is trying to address community-wide flooding issues. The question is the best way to fund this, and that

discussion was held years ago. Council looked at a number of studies. The current system is a vastly superior way of funding stormwater than making it part of the property tax. Property tax does not have anything to do with stormwater. He said it is better to be self-reliant as it keeps the Village's financial rating strong. The reason this system makes sense is because all properties contribute to runoff, which can be calculated for all properties. This fee makes sense because it spreads out the contribution to the fund. Prior to this program, property owners paid 75% of the stormwater costs. The Mayor then discussed partnerships and credit available through the utility. He feels that exclusions were not as a result of politics, but due to partnerships. The only not-for-profit groups that would benefit from being excluded from the utility are those that own property.

Commissioner Barnett said that it was contemplated that not everyone would take advantage of credits.

Commissioner José said there has to be a base level of participation because there will be a base level of stormwater.

Mayor Tully said the Village has a model and there are opportunities for credits. He would like to see the structure work as best it can before considering changing the structure. He understands the request as the churches are paying for something they did not have to pay for before.

Commissioner Durkin said he did not reflect upon this when he voted on the utility.

The Mayor said he is not convinced that the credits are being taken advantage of to the extent they are available. Not all not-for-profit groups are speaking against this. He noted that the Village routinely waives fees. He would like to explore opportunities to ameliorate the impact of this utility.

Commissioner Barnett said he also does not want to change most of the program. Council has been saying they are open to changes, but has not worked with the not-for-profit organizations. He has not heard what those changes might be.

The Mayor urged everyone to take advantage of the credits and incentives available in the program. Credits are built into the program and are in the budget.

Commissioner Barnett asked if the Village can reach out to the not-for-profit groups. The Mayor said the Council has responded to those that reach out to us. The Council could consider additional opportunities for credits and incentives. With respect to the actual fee, the Mayor said his preference is to use the principle of Occam's razor and to start with the most limited approach.

Commissioner Neustadt asked about establishing a flat rate fee for not-for-profit organizations,
Budget Session – October 5, 2013

and exempt them from increases going forward.

Commissioner Barnett noted that the Council has charged District 99 for some things and waived other fees.

The Mayor said he did not hear any interest on the part of other Commissioners to change the structure of the utility. Rates are proposed to increase from \$8.40 to \$9.24 monthly.

Mr. Fieldman said the study done by the Municipal & Financial Services Group (MFSG) concluded it would take 15 years to get to a fully funded program. After the study was completed, the Council decided to include the debt service as part of the utility. The MFSG study recommended a 6.4% increase. Staff is recommending 10% to address the 2013 flood event.

Commissioner Neustadt confirmed that 6.4% is to address current needs and above that would address the April flood event. He said we need to continue to address Operations and Maintenance (O&M). Based on the experience of the first year, he feels 10% is a little high; he would recommend between 6.4 and 9%.

The Mayor said we are looking at estimated costs. Increases are driven by projects. Next year we have use of the proceeds of the bond issuance. To reach our target in 2028, we will have to be diligent. He is open to something other than the 10% recommendation. He said he feels it is fair to soften the continued entry into the stormwater utility.

Commissioner Olsen said the stormwater utility is still new to community. There is a commitment by Council to work with groups, especially not-for-profit organizations. For him, it is important for all property owners. He is uncomfortable with such a large increase in FY 2014. He would recommend an inflationary increase only. The stormwater utility is still new and the community is still adjusting to it. He does not want to increase the burden. He would recommend a 2 to 3% increase. He recommends keeping the utility, keeping the format and keeping the rate. He is not interested in changes either structurally or in fees. That is not to say he is opposed to any increase in the future.

Commissioner Rheintgen said when the stormwater utility was implemented, the average home realized a reduction of \$111 in property taxes and \$100 in fees. She is more comfortable with the range of 6.4 to 10%. We need to be mindful of the gap in O&M and we need to keep the system operating as it should. She feels Council has decided not to exempt the not-for-profit organizations, but she suggested exploring ways to reduce their fees.

The Mayor said the key to the credit is to allow groups to earn a credit by doing something to help facilitate the overall mission of the stormwater management program. Many different things can be done.

The Manager said staff has learned a great deal today. The structure of the utility will remain the same, but some approaches may differ. This will be discussed further in the coming weeks.

Commissioner Barnett said that added together the increases in the health fund, pensions, water and stormwater fees represent approximately a 10% increase in being a property owner in Downers Grove. We have to be mindful of the costs of being a property owner. He asked the effect of doing less or extending the years out a few years of the stormwater utility.

Mayor Tully said we have information about what it costs to live in Downers Grove as compared to other communities. He would like to study this again.

The Manager said it is important to focus on value and the services people get. The Village is playing catch up with respect to stormwater, streets, and the water fund. If we reduce the increase or lengthen the curve, the biggest impact is on O&M. It costs more to rebuild than to maintain. If we do not maintain the system, the severity of flooding can increase.

Commissioner Olsen noted the impact of redevelopment projects on stormwater systems.

Commissioner José said he agrees with the 6.4% for O&M. This and previous Councils have done a good job of identifying programs and developing plans. We maintain the system by sticking to the plan. He would be willing to go above 6.4%. He feels it is important to address the projects identified in the April 2013 storm report.

Commissioner Barnett said 2028 is simply a target date. He said he wants to underscore the O&M. He suggested some of the bond proceeds could go toward O&M.

Mr. Fieldman said he will update the bar charts to provide options.

Commissioner Durkin said that in light of the other increases, he would support a 2 to 3% increase.

Mayor Tully said the Council makes tough decisions which why the Village has a AAA bond rating. The proposal is for a 10% increase in the stormwater fund. It is a projection so he feels there is room for an increase of less than 10%. He noted, however, that we must have a justification for an amount less than 10%.

Commissioner Durkin asked for information as to what projects would be affected by a cut in the proposed level of funding.

The Mayor said that because the Village has bond proceeds, it would not have an immediate impact; the impact would be after 2016.

The Manager said the short term is to catch up; the challenge is the capital side.

Public Comments

Jeff Heller, St. Andrew's Parish President, 1125 Franklin, said his church was founded in the 19th century and is comprised of 200 households, a number that has been nearly constant for the last ten years. He spoke of the mission of churches to love God and neighbor. Social services are not supported by fees. They charge nothing and receive no help. Churches provide needed services so they get a tax exempt benefit. They have very little area for stormwater detention. The church membership is aging with limited income. All of the church's financial pressures and mandated requirements result in pressure on the budget.

Bill Waldack said the Council needs to be more specific in defining success; be careful when you say something works. When stormwater was discussed ten or so years ago, there was always concern about not-for-profit organizations. The discussion was that it was legal to bring in churches. The Village has obligations beyond stormwater. The Village was committed to human services until a few years ago. There was no concern with partnerships with not-for-profit organizations. Schools are considered partnerships and some of the schools serve students outside the Village. Not-for-profit organizations have to apply for reductions; schools do not. A religious program applied for a credit, paid a fee, and was denied. The Village transfers funds all the time. He suggested that the Council reward a church for the human services work they do. Further, maybe there is a mechanism for grants. He suggested taking a holistic approach. He said the Council is keeping the burden for paying for catch up on existing residents and he would like to see it spread out.

Jim Crawford said this is a fascinating debate. He thanked the Council for the AAA bond rating and for lowering flood insurance rates. He said he still feels this is crossing the boundary of fairness. Less than half attend church and pay 80% of this fee. This is treating entities as individuals; you are asking them to double their contributions. Originally all entities – schools, park district, Village – were to participate in the stormwater utility. This creates an issue of fairness. You are excluding schools and the park district because of their contributions, but you don't take into account the social services churches provide.

Bob Aument, 4721 Wallbank, spoke to the social service aspect of the not-for-profit organizations which takes a huge burden off the tax payer and the government. Churches do not control revenue sources and cannot assess a fee or levy a tax. He said he attended stormwater meetings on behalf of a business, but people do not always understand the full impact until they get a bill in the mail.

Todd Paradis, 417 67th Court, mentioned getting the credits right when the stormwater utility was being discussed. A rain barrel is a one-time credit. He feels it should be an on-going credit. He said applying for credits is cost prohibitive. The credit program needs to be reviewed.

Dave Schlagel, Pastor, Marquette Manor Baptist Church, said he echoes things already said. He

reiterated that human and social services are provided by churches. This utility strikes churches particularly hard. The situation in churches is unique. They may be paying the highest fees because they have a big parking lot. They are seriously impacted by fees. He said they are exploring incentives. They are outside the DG watershed and their water doesn't flow into Downers Grove, yet the maximum credit would be 50%. This is the impact to one particular church. He said the fee came upon them in large part as a surprise.

Greta McDonald, First United Methodist Church, said some of their concerns are echoed in their church. She said her church has a strong commitment to environmental issues.

Mr. Heller asked if the identified projects will remain the same if development and redevelopment is subject to stormwater mitigation.

Mayor Tully said things could change in the future. This program will be reviewed annually.

The Mayor said Council appreciates and understands there is an impact on faith based communities. He would like to find a way within the system to find a solution regarding the impact of the utility. He noted that the Village routinely waives fees, and maybe the application fees could be waived.

Mr. Fieldman said the fees are waived, if requested.

The Mayor spoke to addressing human and social service needs rather than exemption from program. He thanked the churches for attending this meeting. He said the Council wants to continue to work on this.

Water Fund

Stan Balicki, Assistant Director, Public Works, provided a summary of the Water Fund for FY14. In 2014, the Village will spend down the 2012 bond proceeds so expenses will exceed revenues. The recommended rate increase is lower than originally anticipated. Mr. Balicki then spoke of capital improvements. He reviewed the objectives of the Water Fund, the water rate study of 2010, and the components that make up the revenue requirements. Regarding the recommended increase, Mr. Balicki said staff is recommending a 7% increase for 2014 which is lower than the original plan that called for a 10% increase. He said 45% of the costs in the Water Fund are for water itself and 22% is for O&M. He displayed a slide of water projects planned for 2014.

Commissioner Neustadt asked if the watermain replacement project at Maple & 55th is tied into the County project.

Andy Sikich, Assistant Director, Public Works, said the Village's project will be between Blodgett and Fairview and involves very little road digging. It should be done before the County Budget Session – October 5, 2013

resurfaces the street.

Capital Projects

Mr. Sikich said FY14 revenues are projected at \$7.89 million and expenses are projected at \$18.63 million. Expenses reflect spending down of bond proceeds from 2012. Major expenses are for roadway maintenance and reconstruction, and sidewalks. He reviewed the goals and objectives of the fund. Staff uses a systematic approach to maintain streets at the most cost-effective level. Timing of street maintenance and reconstruction is coordinated with other projects such as water, drainage, sewer and sidewalks to minimize cost and inconvenience to residents. He referenced several projects including the Washington Street improvements, Oak Grove Unit 3 reconstruction and roadway maintenance resurfacing.

Mr. Sikich reviewed the expenses as follows: \$5 million for maintenance, \$9 million for reconstruction, and \$.36 million for design work.

Mr. Sikich then discussed the street reconstruction projects. He said staff has seen some significant savings which has allowed staff to add projects. He then spoke to the pavement condition of the streets as a result of the roadway maintenance. In 2010, 22% of the streets were in need of reconstruction; in 2012, 16% of the streets were in need of reconstruction. By 2015, only 1% of the streets will need reconstruction.

With respect to sidewalks, Mr. Sikich reviewed the policy and said that about three miles of sidewalks are yet to be constructed. He reviewed the objectives of maintaining existing sidewalks, constructing new sidewalks per the Village's policy, and improving crosswalks and sidewalk ramps to enhance accessibility. Projections for FY14 include \$201,000 for the sidewalk replacement program, \$650,000 for new sidewalks, and \$350,000 for paver crosswalk and accessibility improvements.

Mr. Fieldman said a policy decision is needed with respect to the sidewalks on Ogden Avenue. This is the last year of the existing plan.

Commissioner Rheintgen said the matrix will not be changed until 2015.

Mr. Fieldman agreed and said the projects are chosen based on coordination and location to other sidewalks.

Commissioner Barnett asked if the Village is meeting the deadlines of the federal requirements with respect to accessibility and ramps.

The Manager said we have to demonstrate that we are making progress.

Commissioner Rheintgen asked if there are grant opportunities available for this work.

The Manager said we are always looking for grant opportunities. He noted that this is an unfunded mandate.

Commissioner Neustadt asked if staff is doing more sidewalk grinding or replacement, with respect to sidewalk maintenance.

Mr. Sikich said staff does more saw cutting as it is financially very efficient.

General Fund

Mr. Fieldman reported that the General Fund is the Village's main operating fund, is sustainable, and is supported by many revenue sources. For FY14, the expenses and revenues are projected at \$43 million. The FY14 budget represents improved use of the fund balance, implements the Patient Protection & Affordable Care Act (PPACA), and has no increase in the property tax levy for operations. He displayed a slide of revenue and expenses from 2001 through 2014. Revenues are increasing modestly, as are expenses, although not as fast. Most of the expenses in the General Fund are personnel expenses. The vast majority of Village services are provided through this fund.

With respect to the improved use of fund balances and revenues, Mr. Fieldman said staff proposes transferring \$4.2 million from the General Fund to the Risk Fund in FY13. This moves money and responsibilities, and results in predictable and stable General Fund expenses. It also reduces the likelihood of budget amendments. The General Fund balance remains within the guidelines of the policy.

With respect to implementation of the Patient Protection & Affordable Care Act (PPACA), Mr. Fieldman said the Village is well positioned to avoid the "Cadillac taxes." The impact of the PPACA for FY14 is an \$86,000 increase in the General Fund.

Regarding the property tax levy, Mr. Fieldman said most of the tax levy goes into the General Fund as revenue. The Village levies a specific dollar amount. 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.

In 2014, the proposed levy is \$11, 590,047 or an increase of 5.3%. The increase is due to increases in the fire and police pension contributions which is driven by actuarial tables and mandated by law. The actuarial tables have been changed because people are living longer.

The impact on a typical property in Downers Grove is \$27.60 per year. 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 9% of the total tax bill.

Mr. Fieldman then spoke to the increases in FY14 to a typical property. A property tax increase of \$27.57, an increase in the stormwater to \$10.08, increased water fees to \$36.70 total an annual impact of \$74.55.

Commissioner Olsen said this is a great news story. A significant amount of the increases are mandatory under federal or State law. The Village has done a phenomenal job of controlling the costs we can control.

Commissioner Rheintgen complimented the staff on a beautiful budget and a wonderful job. She said it is easy to understand.

Commissioner Neustadt said huge dollar amounts were discussed in three hours. We are in a good position to move forward.

Tom LeCren, 545 Chicago, pointed out an error on page 4-21, Stormwater Fund. Monies coming in are listed under "Sale."

Judy Buttny, Finance Director, said staff will correct this.

Mr. Waldack asked for a calculation as to what dollar amount increase to the budget adds a dollar to the tax bill. In the past, every \$20,000 added \$1.00 on the tax bill.

Mr. Fieldman said it has changed from past years, but it is very minor.

Commissioner Rheintgen said the proposed increases to stormwater and water are less than expected.

The Mayor said the Council is serving as good stewards of the public trust and public dollars. This is an exceptional outcome. One of the high priority action items is public engagement. The budget document allows the community to work with the budget.

The Mayor said this is the first of many meetings regarding the FY14 budget. There will be many opportunities for public comments. He encouraged people to contact staff or Council members with comments.

He thanked people for attending the meeting

There being no further discussion, the meeting was adjourned at 10:34 a.m.

April K. Holden

Village Clerk