

MINUTES OF COUNCIL BUDGET REVIEW WORKSHOP

VILLAGE OF DOWNERS GROVE

DOWNERS GROVE, ILLINOIS

OCTOBER 8, 2016

Mayor Martin Tully welcomed Council, staff and visitors to the budget review session at 8:07 a.m. at Fire Station 2, 5420 Main Street.

Present: Mayor Martin Tully; Commissioners Bob Barnett, Greg Hosé, Bill White, Bill Waldack, Marge Earl, Nicole Walus

Absent: None

Staff: Village Manager Dave Fieldman; Deputy Village Manager Mike Baker; Village Attorney Enza Petrarca; Director of Community Development Stan Popovich; Director of Communications Doug Kozlowski; Director of Public Works Naneil Newlon; Fire Chief Jim Jackson; Police Chief Kurt Bluder; Director of Financial Services Judy Buttny; Director of Information Technology Dave Kenny; Assistant Director of Public Works Stan Balicki; Assistant Director of Public Works John Welch; Director of Human Resources Dennis Burke; Deputy Police Chief Shanon Gillette; Deputy Fire Chief Jeff Pindelski; Management Analyst Megan Miles; Risk Manager Chanay Mackey; Village Clerk April Holden

Mayor Tully welcomed everyone to the budget review session. He introduced himself and asked Council and staff to introduce themselves.

The Mayor said this is the beginning of a long and important process to talk about the fiscal year 2017 (FY17) budget. The Mayor said he appreciated residents being at this meeting. Much of the budget is driven by strategic planning that occurs during the year. This process will end with the adoption of the budget. He reviewed the budget schedule and said there will be many 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 FY17 Village of Downers Grove budget.

Dave Fieldman, Village Manager, said the Council will not meet on Tuesday, November 8, as it is Election Day. Council will meet on Tuesday, November 22, the Tuesday before Thanksgiving. Mr. Fieldman specifically thanked Judy Buttny, Carol Hogan and Megan Miles

for producing and implementing this budget.

Mr. Fieldman began with the General Fund and related funds. He said the Village uses a flight analogy to describe the Village Council and staff roles and responsibilities. The long-range planning efforts take place in the summer and are at the 30,000 and 40,000 foot levels. The Council review of the budget is at the 20,000 foot level. The budget is a planning and oversight document that aligns everyday operations and resources with the goals and priorities of the Long Range Plan. He also noted that every purchase of \$15,000 or more is reviewed and approved by the Council as a Council meeting agenda item, which is a 10,000 foot level activity. The budget is prepared per plans and reports including the 2015-2017 Long Range Plan, the Comprehensive Plan, the 2014 Stormwater Project Analysis; the 2012 Stormwater Utility Report, the 2010 Water Rate Study Report and the 2006 Stormwater Master Plan. Because the budget is the result of many long-term planning efforts, there are no surprises or new concepts in this budget.

There are nine key points to the FY17 budget:

- Balanced General Fund with revenues and expenses of \$46.9 million.
- Fund Balance maintained at the recommended level of 40% of annual expenses.
- No increases in the Property Tax Levy to fund Village operations for the sixth consecutive year.
- Property Tax Levy increase of \$490,000 for required contributions to public safety pensions.
- The budget includes the cost of transitioning emergency dispatch operations to DU-COMM. Transition costs are \$545,000 and will be offset with a reimbursement of \$315,000.
- Staff resources shifted to Community Development and Public Works to address increasing demands for new construction and stormwater management services. Total staffing levels will drop by over 16 positions due to the elimination of the Village's emergency dispatch center.
- Funds of \$1.75 million to cover the 2017 costs of implementing the facility plan.
- Funds of \$18.6 million for maintenance and improvements to public infrastructure.
- Revenue of \$3.9 million in the Stormwater Fund. Council may make changes to the source of revenue used to pay for stormwater management costs.

Property Tax Levy

Mr. Fieldman asked Deputy Village Manager Mike Baker to address the property tax levy.

Deputy Village Manager Mike Baker said the property tax levy is the primary revenue source in the General Fund. The proposed levy is a 4% increase over last year due to the Fire and Police Pension Funds. All other levies remain the same. The total property tax levy in FY17 is estimated to be \$12,794,984; the FY16 levy was \$12,303,584. The FY17 levy represents an

increase of \$491,400 or 4.0% over FY16.

Mr. Baker said the public safety pension funds are designated trust funds for the safe-keeping and operations of pensions. They are managed by autonomous boards, the make-up of which is set by state law. The Village Council does not set or control pension fund budgets. The Village only affects expenses through staffing levels and salaries. Mr. Baker said both the Fire and Police Pension funds are financially sound. The Village makes 100% of the required contributions to the pension funds.

The taxes paid to the Village for a typical house in Downers Grove for FY16 were \$575.30. The estimated Village tax amount in FY17 is \$598.31 or a proposed property tax increase of \$23.01. Mr. Baker 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 9.20% of the total tax bill.

Commissioner Waldack said Council members have met with staff and are quite familiar with the FY17 proposed budget; many questions have already been answered.

Mayor Tully noted that the process began in the summer with long-range planning.

Mr. Fieldman said the General Fund is the main operating fund with multiple revenue sources. It supports and reflects the Long Range Plan actions recommended by Council. He noted that personnel expenses account for 76% of the budget. The General Fund for FY17 is balanced at \$46.9 million and a fund balance of \$18.9 million. This fund balance level is consistent with Standard and Poor's guidelines to maintain the Village's AAA rating. Revenues are up 1.3% over the FY16 budget. This increase is driven primarily by property taxes for the pension levy. Slow to moderate growth is expected in sales tax, income tax and one time DU-COMM revenues. Expenses are estimated to increase by only 1.1% over the FY16 budget. Public safety pension expenses and the cost of transitioning to DU-COMM account for the majority of the increase. Staff continues to be committed to cost control.

Mayor Tully thanked staff for continuing to keep expenses under control. He noted the importance of sales tax. As the economy improves, sales taxes help maintain the revenue side to fund expenses. This highlights the importance of economic development.

Commissioner Barnett referenced page 4-4, General Fund Revenue Sources. He noted that the proposed property tax contribution is lower over a four-year period. The real differentiation is the sales tax and pension levies.

Related Funds

Finance Director Judy Buttny discussed the related funds – Health, Risk Management, Fleet Services and Equipment Replacement funds. These are all internal services funds that track

costs for providing each of these services to Village departments. Revenues in these funds come from contributions from Village departments. These funds stabilize expenditures in the General Fund. Solid performance in these funds is tied to the Village's AAA rating. In some of these funds, expenses exceed revenues because of savings in previous years, and balance out over time.

Ms. Buttny said the Village self-insures for both the Health and Risk Funds. The claims are paid from Village funds rather than paying premiums to an insurance company. The benefit of being self-insured is that the Village pays only its claims and administrative costs.

The Health Fund has revenues of \$7.46 million and expenses of \$7.45 million. Premiums will be flat for FY17 compared to FY16, which compares to industry standard increases of 8% for medical costs and 14% for drugs. Ms. Buttny noted that the Village has a strong interdepartmental wellness program and the focus in 2017 will continue to be on wellness.

The Risk Management Fund has revenues of \$2.56 million and expenses of \$2.76 million. The Village continues to focus on safety programs and training.

Mayor Tully noted that this has been an important challenge for a long time as health plan costs continue to rise. He has witnessed programs that have helped keep costs flat.

Mr. Fieldman said this is driven by our employees as all employees help contain these costs.

The Fleet Services Fund has revenues of \$1.61 million and expenses of \$1.89 million. This fund accounts for repair, maintenance and fuel for the Village's fleet. Fuel prices were lower than anticipated in 2016, resulting in a favorable variance that will be passed back to the departments in 2017. The Village outsourced parts management and inventory in late 2015 to take advantage of discounts on the purchase of parts. Efficiencies from this relationship also allow the Village to shorten down-time for public safety vehicles, getting them back on the road more quickly to serve the community.

The Equipment Replacement Fund has revenues of \$1.43 million and expenses of \$2.20 million. This fund accounts for routine replacements of vehicles, IT equipment and fire equipment. It provides a dedicated funding source for equipment that is replaced on a routine basis. This is done by pre-funding for those purchases so that funds will be available when equipment is ready to be replaced. The goal is to minimize the cost of owning and operating vehicles by replacing them when the annual cost of repairing and maintaining them is greater than the annual cost of purchasing and maintaining a new vehicle. Ms. Buttny reiterated that the revenues and expenses in these funds balance out over time.

Todd Paradis asked about the FY15 ending fund balance. Mr. Fieldman said staff would review this matter.

Stormwater, Water and Capital Projects Funds

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

Nan Newlon, Director, Public Works, introduced John Welch and Stan Balicki, Assistant Directors for Public Works.

Ms. Newlon introduced the funds that support the Village's infrastructure. She provided a pie chart of the FY17 capital budget. The proposed capital budget is \$18.6 million, allocated by the following major program types: 20% for stormwater; 30% for water; 37% for streets; and 11% is a combination of program types including sidewalk maintenance, parking facilities, major buildings, traffic signals and street lights.

Ms. Newlon then addressed the Stormwater Program. She showed a video to provide background on the stormwater system. There are three major watersheds or drainage areas that are drained by the three creek systems in the Village – Lacey Creek, St. Joseph's Creek and Prentiss Creek. There is a total of over 11 miles of creeks within the Village. We have over 130 miles of storm sewer, 7,000 drainage structures, 140 miles of open ditches, 47,000 feet of pipe culverts, and 315 stormwater storage basins. In 2016, the Village will complete several important stormwater projects. She showed slides of the Lacey Creek streambank restoration work. She said staff has also been working on land acquisition and construction drawings for projects recommended in the 2014 Stormwater Project Analysis.

With respect to the Stormwater Fund, Ms. Newlon said all revenues and expenses related to the stormwater system are included in this fund. Revenues in the FY17 proposed budget Stormwater Fund include \$4.9 million; \$3.9 million from fees and the rest from grants and developer contributions. Expenses are estimated at \$6.77 million. There is a planned 8.5% revenue increase for FY17 to fund needed maintenance and capital projects. Staff will continue to work on capital projects that reduce flooding and improve drainage throughout the Village. Staff will continue to spend down the fund balance, with expenditures about \$2.5 million more than projected revenues. A bond issuance in 2018 is planned to provide funding for capital projects.

Ms. Newlon reviewed the planned expenses for 2017 in the Stormwater Fund, including operations and maintenance, debt service, and capital expenses. She then reviewed 2017 maintenance activities amounting to \$1.91 million. To date, the activity level with respect to maintenance includes approximately 600 calls and requests related to issues like drainage concerns, floodplains and LPDAs as well as many more concerning permit related issues. She then reviewed the projects planned for 2017 amounting to \$3.76 million.

Capital Projects Fund

John Welch, Assistant Director, Public Works, addressed Capital Projects including streets,

sidewalks, and other capital projects.

With respect to streets, the Village owns and maintains approximately 166 miles of roadways, 250 miles of sidewalk, and 19 traffic signals. The Village's objectives for the management of the capital infrastructure program are to use a systematic approach to maintain infrastructure at the most cost-effective level and to coordinate the timing of projects to minimize cost and inconvenience while maximizing project benefits. Mr. Welch provided examples of various capital improvement projects. In FY16, staff rehabilitated approximately 10 center line miles, approximately 5%, of streets within the Village, equating to a 20-year life-cycle. Crack sealing and filling assist in achieving the 20-year life cycle. Over \$480,000 was spend in FY16 for sidewalk maintenance and improvements. He showed examples of construction related to accessibility improvements.

In terms of revenues and expenses for FY17, Mr. Welch said staff projects \$8.72 million in revenues and \$9.82 million in expenses. The difference represents the spending down of the remainder of the fund balance. He then reviewed the street projects planned for FY17.

With respect to sidewalks, Mr. Welch said a total of \$470,000 is budgeted including maintenance and accessibility improvements. Ogden Avenue sidewalks include easement acquisition and potential construction. Funds are also included for street lights, another neighborhood traffic study, pavement marking and Emerald Ash Borer eradication.

Commissioner Waldack asked as to the total number of traffic signals in the Village.

Ms. Newlon said there are approximately 40; 19 of which are the Village's.

Commissioner José asked about the traffic study.

Ms. Newlon said the neighborhood has not yet been determined. Staff will review neighborhood concerns.

Commissioner Earl asked about the five completed traffic studies.

Ms. Newlon said the traffic studies started in 2011 with the area of 55th and Maple. There have also been studies in each of the four quadrants of the downtown area. This study will be in the NW portion of the Village, in the newly annexed area including Belmont Road.

Mayor Tully reviewed the reasons those areas were studied.

Water Fund

Stan Balicki, Assistant Director, Public Works, presented information regarding the Water Fund. The Water Fund is an enterprise fund and revenue is generated from water customers. The

objectives for the water system are to provide safe and reliable drinking water, operate and maintain the water system in the most cost-effective manner, and achieve stable and sufficient water rates. The source of water supply for the Village is Lake Michigan from the DuPage Water Commission. The system is a significant Village infrastructure investment consisting of seven elevated water storage tanks with a storage capacity of eight million gallons; six rate control stations; over 233 miles of water distribution main; 2,800 each of fire hydrants and main line valves; and a supervisory control and data acquisition system (SCADA). The Water Division operates the system on a daily and emergency basis.

Mr. Balicki said the FY17 budget projects revenues of \$19.05 million and expenses of \$19.44 million. The revenues include a \$4 million IEPA loan in 2017 and no rate increase. The DuPage Water Commission rate is not expected to increase 2017. One of the goals of the Water Fund is to build up the fund balance to move toward a "pay as you go" approach.

Mr. Balicki then reviewed projected expenses. The largest cost is the cost of the water at \$8.42 million. Operations and maintenance, debt service, and capital expenses make up the additional costs. Capital expenses are planned to be \$5.67 million. Mr. Balicki reviewed the water projects planned for FY17. The major capital expenditures are for water main replacement and a continuation of the storage tank and facility maintenance programs.

Mayor Tully said the cost of water is high profile because residents get a separate water bill.

The Mayor asked for an explanation of enterprise funds.

Mr. Balicki said enterprise funds are supported by user fees. All revenues go back into the fund and expenses are only for the operations and maintenance of the fund.

Mayor Tully said there are two parts to the expenses: capital and operations, and the cost of water. The Village can plan for capital and operations expenses; however, we cannot plan or control for the cost of water. The DuPage Water Commission buys water from the City of Chicago and we are at the whim of what the City of Chicago wants to do.

Commissioner Waldack noted that the Mayor of Chicago is raising water rates to pay for pensions.

Mr. Fieldman said staff looked into this matter and this is a tax for retail customers, not commercial customers.

Commissioner Waldack asked about lead remediation.

Mr. Fieldman said we have absorbed some costs. We will be prepared to respond to the new regulations.

Commissioner José asked about well rehabilitation.

Mr. Balicki said the Village has three backup wells. We are evaluating proposals to assess the wells to determine costs. This is included in the budget. He noted that the wells are an emergency backup system.

In response to Commissioner Earl, Mr. Balicki spoke about bundling projects. At times, one element needs to be addressed; however, projects are coordinated whenever possible.

Mr. Kulovany asked about the leak detection service and the amount of money and resources that can be saved by this service.

Mr. Balicki said the entire system is surveyed annually and staff follows up with repairs. A report is prepared summarizing the cost of the work and the money and water saved by stopping leaks.

Mr. Fieldman said this increases efficiency and reduces the loss of water.

Mr. Fieldman said staff has discussed about \$90 million of a \$123 million budget. He said he had no further presentation. He asked if there were questions.

Mayor Tully asked when the Library budget is expected.

Mr. Fieldman said staff received it last week and is working on a cash flow model to reduce the levy. He noted that the overall levy for the Library has actually dropped.

Mayor Tully thanked Mr. Fieldman and Mr. Baker for working with the new Library director.

Mr. Fieldman said staff will present answers to today's questions at Tuesday's meeting.

Mr. Paradis complimented Council and staff on the budget. He asked as to the staff turnover rate.

The Manager said staff would provide this information.

A resident asked if a unanimous agreement is expected on the budget.

The Mayor said he thinks Council members would have shared concerns by now, but noted that there is ample opportunity to further consider the budget.

Mr. Fieldman noted that how stormwater is to be funded is a fundamental question.

Commissioner Waldack said it's good to see the public getting educated on this matter. He noted

that the Council has decided to add the pension costs to the levy rather than making cuts. He does not want to eliminate projects in order to hide pension costs.

Commissioner Earl asked if the resurfacing on Maple will be done according to the schedule, given the construction there.

Mr. Fieldman said staff is looking at deferring the project for one year. There is grant money and staff needs to look at the impact of deferring on the grant.

Mayor Tully thanked everyone for attending today's meeting. He said the conversation will continue.

There being no further discussion, the meeting was adjourned at 9:24 a.m.

April K. Holden
Village Clerk