

VILLAGE OF DOWNERS GROVE
Report for the Village
10/6/2020

SUBJECT:	SUBMITTED BY:
Update to the 2019-21 Long Range Plan	David Fieldman Village Manager

SYNOPSIS

Presentation of the Update to the 2019-2021 Long-Range Plan to Village Council.

STRATEGIC PLAN ALIGNMENT

The goals for 2019-2021 includes *Exceptional Municipal Services*.

FISCAL IMPACT

N/A

UPDATE & RECOMMENDATION

The Village Council discussed the Update to the 2019-21 Long Range Plan at the June 16, July 14, July 21, August 11 and September 8, 2020 meetings. Based on the September 8th Council discussion, it appeared that some Council members were open to exploring changes to the draft plan update. Staff met with individual Council members to discuss these potential changes. Potential changes consisted of:

- Reducing the General Fund expense reductions efforts from \$1.3 million to \$800,000
- Increasing the General Fund revenue enhancements from \$1.0 million to \$1.5 million or more
- Using any additional financial resources noted above to enhance social services for the public and staff

The original draft Long Range Plan is attached. Changes to the plan will be made if so directed by the Village Council.

ATTACHMENTS

Update to the 2019-2021 Long-Range Plan

2019 - 2021 Long Range Plan

2020 Update

**Report # 1
June 12, 2020**

INTRODUCTION AND OVERVIEW

The 2019-21 Long Range Plan, approved by the Village Council in October 2019, is designed to identify and address issues affecting the long-term future of the Village. The Plan establishes the Village's goals and priority actions that guide annual budgets, daily operations and delivery of services. The long range planning process is one of many strong management practices that led Standard & Poor's to grant the Village their highest bond rating of **AAA**.

To prepare the Long Range Plan, the Village Council met six times in a workshop format in August through October. The Long Range Plan consists of:

- Strategic Goals for 2019 to 2021 and beyond.
- Key trends and issues affecting the long-term future of the Village.
- Strategies and solutions to address the key trends and issues.
- Priority Action Items to be completed by April 2021.

The Village Council will hold public meetings from June through August 2020 to update the LRP. The update will:

- Identify key trends and issues which may affect the Village in 2021 and beyond
- Establish strategies to address the key issues
- Determine the Priority Action Items for the next 8 to 12 months

LRP Update Focus on COVID-19 Financial Response

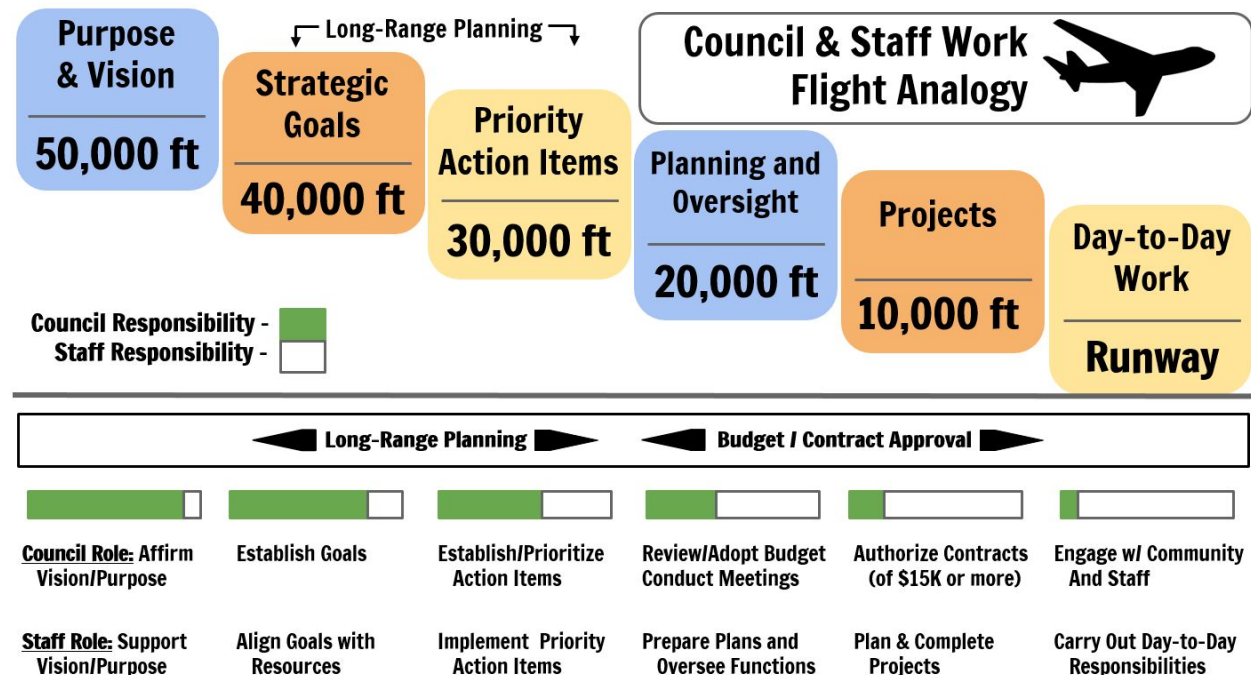
The COVID-19 pandemic has dramatically impacted the Village's finances and operations. These impacts are likely to continue well into 2021. While the LRP update will include many traditional aspects, the process will focus on developing strategies to achieve financial sustainability during the pandemic and into the future. In many ways, the LRP update will be an extension of the [COVID-19 Financial Response Plan](#) prepared in April 2020.

Long Range Plan Update Meeting Schedule

Date	Topics
June 16	• Introduction and Overview • Strategic Goals • Village Budget Overview • Local Economic Conditions
July 14	• Key Issues
July 21	• Discussion of Strategies & Solutions
August 4	• Completion of Strategies & Solutions
August 11	• Priority Action Items

Flight Analogy

The graphic below compares the roles of the Village Council and staff with an airline flight. The Long Range Planning process takes place at the 30,000-40,000 foot level. The Council and community also have opportunities for input at the lower levels throughout the rest of the year, such as during regular Council Meetings, as part of the budget process, and in communicating formally and informally with members of the Village Council and staff.



Strategic Goals

The 2019-2021 Long Range Plan includes the following five strategic goals:

- Steward of Financial, Environmental and Neighborhood Sustainability
- Exceptional Municipal Services
- Top Quality Infrastructure
- Strong, Diverse Local Economy
- Continual Innovation

Explanations of these goals can be found on pages 8 and 9 of the [2019-2020 Long Range Plan](#).

Achievements and Results

In the past several years the Village has completed many key accomplishments and achieved significant measurable results to further the Strategic Goals. The [Annual Report](#) summarizes these accomplishments and results.

Vision, Goals & Objectives

The Strategic Goals are supported by and applied in conjunction with the Village's Vision, Goals and Objectives. The [Comprehensive Plan](#) articulates the community's vision for the desired physical, social, and economic characteristics of the Village for the next 15 to 20 years. The Comprehensive Plan includes a Vision Statement that provides a basis for identifying many of the specific Goals and Objectives needed to lead the Village of Downers Grove in the direction of implementation.

Summary of Village Budget

The continued financial response to the COVID-19 pandemic will employ a multiple fund approach. To implement this unique approach, it may be helpful to understand how a few key funds operate (revenue sources and amounts, services provided from each fund, key expense drivers).

For purposes of this portion of the Long Range Plan; the General Fund, Capital Projects Fund and Major Buildings Fund are highlighted. These funds play a major role in the Village's response to exceptional revenue decline caused by the impacts of the COVID-19 pandemic. The FY20 budgeted expenses in these three funds total \$61.4 million and account for nearly 43% of total budgeted expenses (For reference, the Water Fund has budgeted expenses of \$20.1 million, second only to the General Fund).

	General Fund	Capital Fund	Major Buildings Fund
Overview	Main Operating Fund Accounting for Most Village Services	Accounts for General Construction and Capital Improvement Activities	Accounts for Planned, Project-Oriented Maintenance for Village Facilities
Major Revenue Sources	• Sales Tax • Property Tax • State Income Tax • Utility Taxes • Food & Beverage Tax • Home Rule Sales Tax • Ambulance Fees • Local Use Tax • Building Permit Fees	• Home Rule Sales Tax • Property Tax • Telecom Tax	• Local Gasoline Tax • Contributions from the Capital Fund

Major Expense Categories	• Personnel Expenses (77% of Total) • Police Department • Fire Department • Public Works • Community Development	• Streets • Sidewalks • Forestry	• Maintenance of Buildings • Planned Construction of New Police Station and Village Hall
FY20 Bud Revenue	\$49,669,603	\$7,156,524	\$720,000
FY20 Bud Expenses	\$49,637,170	\$9,285,446	\$2,510,000
FY20 Beginning Fund Balance	\$20,585,980	\$6,229,373	\$3,158,714

COVID-19 Financial Response Plan

The COVID-19 Financial Response Plan calls for significant expense reductions in the Capital Projects and Major Building Funds and transferring the money that would have been used to pay for projects into the General Fund. Approximately \$6.5 million can be shifted to the General Fund.

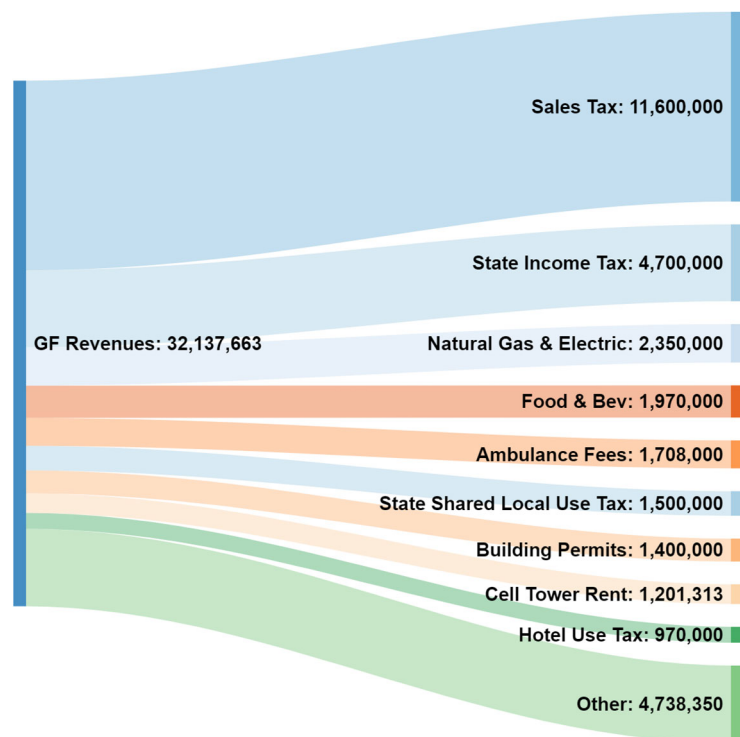
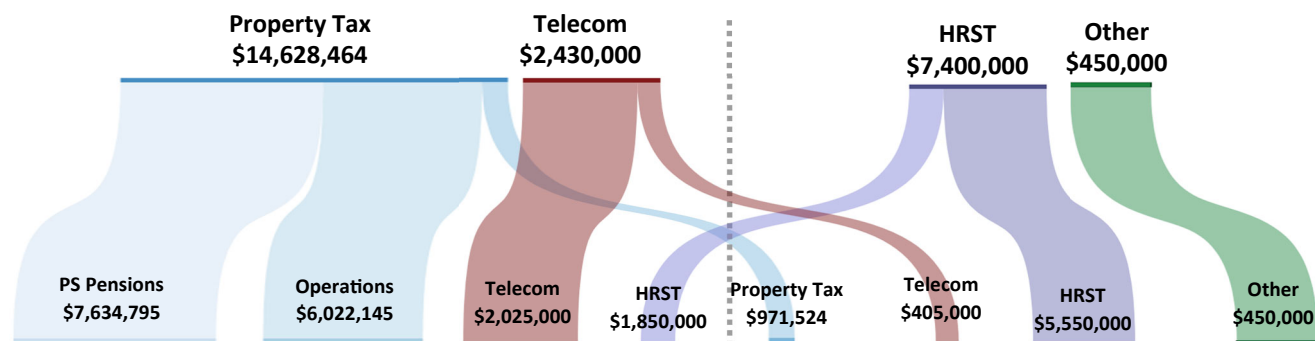
The Plan also calls for the use of up to half of the General Fund reserves, about \$10 million.

The reallocation of funds from Capital and Major Buildings into the General Fund is likely to be a major element of the Long Range Plan update. This topic will be discussed and considered at the July 21 Long Range Plan meeting.

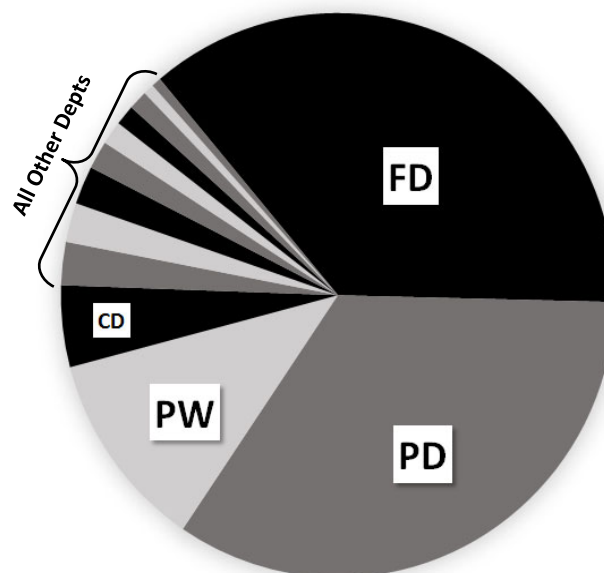
FY20 Budgeted Revenues and Expenses

General Fund and Capital / Major Buildings Fund

FY20 Budgeted Revenues



General Fund

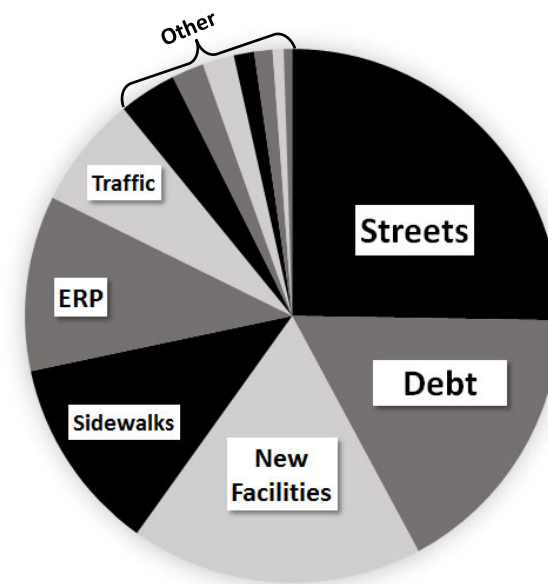


FY20 General Fund Revenues
\$49,669,603

FY20 General Fund Expenses
\$49,637,170

Beginning FY20 Fund Balance
\$20,585,980

Capital / Major Buildings Fund



FY20 Capital/Major Buildings Revenues
\$7,876,524

FY20 Capital/Major Buildings Expenses
\$11,795,446

Beginning FY20 Fund Balance
\$9,388,087

2019 - 2021 Long Range Plan

2020 Update

**Report # 2
July 10, 2020**

This report identifies and summarizes two key trends and issues to be addressed in the Long Range Plan. The first issue is the continued poor performance in revenues due to the economic impacts of the COVID-19 pandemic. The second issue is the unexpected dramatic increase of \$1.16 to \$1.95 million in the Village's required contribution to the police and fire pension funds in FY21.

Revenue Shortfall

The COVID-19 pandemic is significantly negatively impacting the national, regional and local economy. Accordingly, many Village revenue sources are being negatively impacted. The revenue decline is affecting most funds including the General Fund, Capital Projects Fund and Parking Fund.

Key Issue - Revenue Shortfall

In FY20, General Fund revenue is estimated to be \$4.3 to \$9.3 million short of the budgeted amount. The shortfall is being addressed by the [COVID-19 Financial Response Plan](#). A \$9.3 million shortfall would be addressed as follows:

Expense Reductions (Tier 2) -	\$3.0 million
Transfers from Capital & Major Buildings Funds (Tier 3) -	\$6.3 million
Includes transfer of reserves from Capital & Major Buildings Funds	

For FY21, revenues are projected to fall up to \$8.3 million short of expenses.

Governor Pritzker's Restore Illinois Plan, a 5-phase plan to re-open the state economy, includes restrictions on business operations in four of the five phases. These restrictions will result in reduced economic activity in the Village and a reduction in Village revenues.

FY20 General Fund Revenue Performance Under the Restore Illinois Plan

Quarter	Restore Illinois Phases	Business Restrictions	VoDG Revenue Performance
First	NA	None	Very Strong Performance Performed Better than Budget
Second	1, 2 & 3	Severe Restrictions in Phases 1 & 2 Significant Restrictions in Phase 3	Very Poor Performance

Third	4 (expected)	Moderate Restrictions	Poor Performance Modest Improvement Compared to Second Quarter
Fourth	4 (expected)	Moderate Restrictions	Similar to Third Quarter

During the first quarter of 2020, Village revenues performed very well and exceeded budgeted amounts. However, revenues began declining in mid-March in conjunction with the issuance of the Governor's Stay at Home Order. The tables below show the performance of several key revenues so far this year.

Sales Tax

	Jan	Feb	Mar	Apr	May	Total
2020	951,565	902,299	779,879	730,118	TBD	3,363,861
2019	760,562	903,584	1,037,564	1,069,156		3,770,866
Diff	191,003	(1,285)	(257,685)	(339,038)		(407,005)

Home Rule Sales Tax

2020	139,749	130,537	124,258	93,092	TBD	487,636
2019	105,647	132,520	154,864	155,625		548,656
Diff	34,102	(1,983)	(30,606)	(62,533)		(61,020)

Food & Beverage Tax

2020	154,108	153,640	120,293	85,986	104,867	618,894
2019	138,312	143,337	166,536	160,855	171,707	780,747
Diff.	15,796	10,303	(46,243)	(74,869)	(66,840)	(161,853)

Hotel Tax

2020	62,083	61,376	35,938	7,469	8,593	175,459
2019	51,036	61,755	74,664	86,629	93,384	367,468
Diff	11,047	(379)	(38,726)	(79,160)	(84,791)	(192,009)

Property taxes are a major revenue source for both the General Fund and Capital Projects Fund. Property taxes are paid in two installments (June and September). DuPage County is responsible for the property tax collection process.

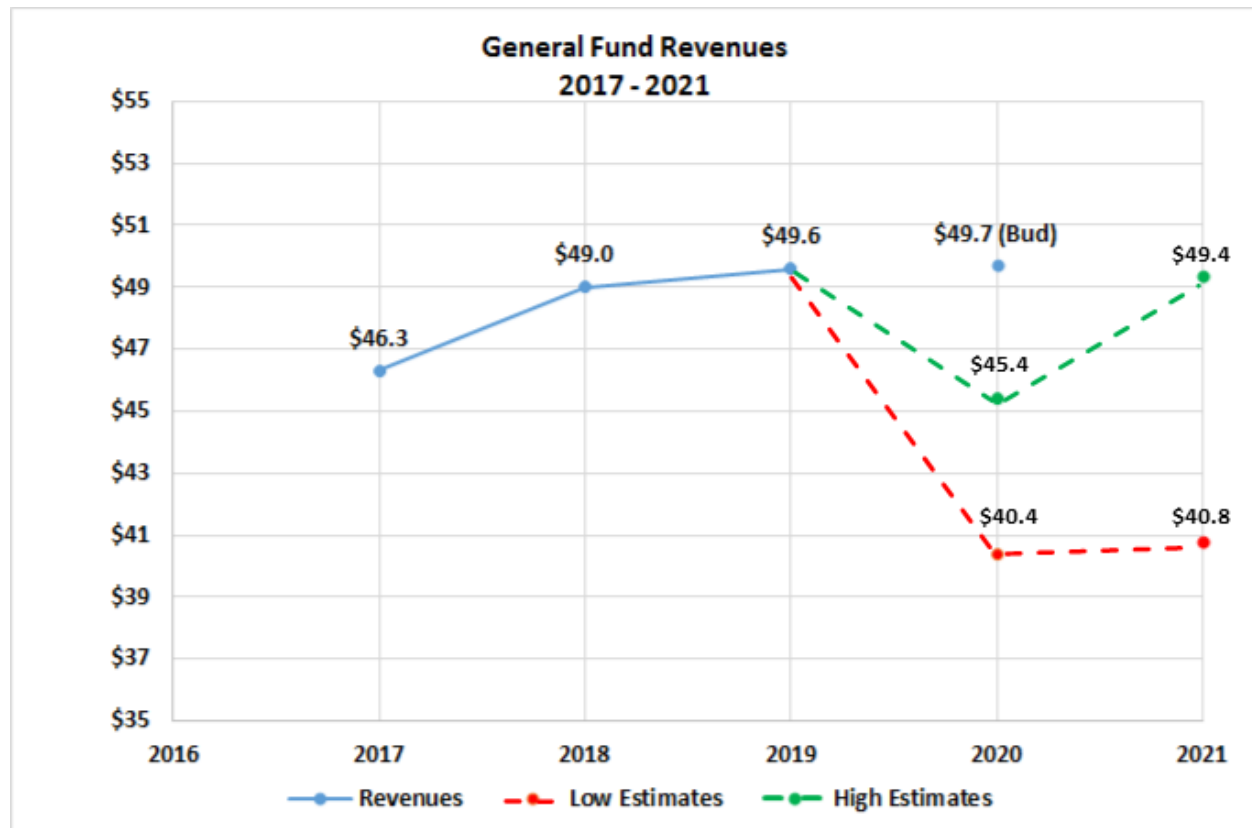
The FY20 property tax levy was \$14.6 million. Approximately \$13.6 million is budgeted for the General Fund and just over \$970,000 is budgeted for the Capital Projects Fund. Half of this amount, about \$7.3 million, was expected to be received in June in conjunction with the first installment payments. As of the writing of this report, the Village has received \$7.6 million in property tax revenue.

For purposes of preparing the Long Range Plan, staff developed revenue projections for the General Fund for the remainder of 2020 and for FY21. Due to the uncertainty of the duration and economic impact of the pandemic and the Restore Illinois Plan, projecting revenues has proven to be challenging. Therefore, the projections, summarized in the table below, include both low and high projections for each major revenue source. The projected revenue decline for FY20 ranges from 9% (\$4.3 million shortfall) to 19% (\$9.3 million shortfall) compared to the budget. The projected deficit for the FY21 General Fund could reach up to \$8.3 million based on current projections.

General Fund Revenue 2017 to 2021

Revenue Source	2017	2018	2019	2020 Bud	2020 Est Low	2020 Est High	2021 Low	2021 High
Sales Tax	11.6	11.5	11.4	11.6	8.0	9.9	8.0	11.0
Property Tax - Ops	5.9	5.9	5.9	6.0	6.0	6.0	6.0	6.0
Utility Taxes	4.5	4.5	4.4	4.4	3.7	4.0	3.9	4.4
Income Tax	4.5	4.7	5.2	4.7	4.0	4.6	3.7	4.5
Building Permits	1.9	2.0	1.3	1.4	1.0	1.0	0.8	1.0
Home Rule Sales	2.0	1.9	1.9	1.9	1.3	1.6	1.3	1.7
Food & Beverage	--	1.8	2.0	2.0	1.3	1.5	1.0	1.8
Ambulance Fees	1.1	1.6	1.4	1.7	1.3	1.7	1.4	1.7
Local Use Tax	1.3	1.4	1.6	1.5	1.1	1.5	0.8	1.2
Cellular Equip Rental	1.1	1.1	1.2	1.2	1.0	1.1	1.0	1.1
Hotel Tax	0.9	0.9	1.0	1.0	0.3	0.4	0.5	0.8

Sub-Total	34.8	37.3	37.3	37.4	29.0	33.3	28.4	35.2
All Other Revenues	11.5	11.7	12.3	12.3	11.4	12.1	12.4	14.2
Total	46.3	49.0	49.6	49.7	40.4	45.4	40.8	49.4



Estimated General Fund Deficit

Pursuant to the COVID-19 Financial Response Plan, the Village is taking steps now to reduce the General Fund expenses in FY20. The FY20 budgeted expenses are \$49.7 million. With the expense reduction efforts in place, staff estimates that the actual expenses in FY20 will be about \$46.7 million.

Applying the above revenue and expense estimates would result in a deficit from \$1.3 to \$6.3 million in FY20. Any deficit of up to \$6.5 million would result in maintaining the existing reserves of about \$20 million (Up to \$6.5 million from the Capital Fund and Major Buildings Fund would be transferred into the General Fund). Staff will continue to monitor revenues and expenses and update FY20 and FY21 projections accordingly.

FY20 General Fund Estimates

Revenue	\$40.4 to \$45.4 Million
Expenses (Expense Reductions of \$3 million; Tier 2 of the COVID-19 Financial Response Plan)	\$46.7 Million
Deficit	\$1.3 to \$6.3 Million
Transfer from Capital and Major Buildings Funds (Tier 3 of the COVID-19 Financial Response Plan) Includes transfer of reserves from Capital & Major Buildings Funds	Up to \$6.3 Million
Ending Balance	\$20.6 Million

NOTE: These estimates do not include the receipt of any federal or state grants. The Village is currently working with DuPage County on the disbursement of federal CARES Act funds. The Village may receive up to \$2.5 million in federal funds.

For planning purposes, staff is projecting that the financial performance of FY21 will be similar to that of the second half FY20. The table below shows the FY21 projections.

FY21 General Fund Projections

Revenue	\$40.8 to \$49.4 Million
Expenses	\$49.1 to \$51.8 Million
Deficit	Up to \$8.3 Million

Increasing Cost of Required Contribution to Public Safety Pensions

Pursuant to State law, the Village is required to contribute a specified minimum amount to the police and fire pension funds. The required contribution for FY21 is expected to increase by \$1,161,824 to \$1,952,697 (15-22%).

Key Issue - Increase Cost of Public Safety Pension Contribution

For FY21, the required contribution to public safety pension funds is expected to increase by \$1.16 to \$1.95 million; an increase of 15 to 22%. The increase is driven by changes to the mortality table, increases in the benefits provided to Tier 2 employees and demographic changes in the actuarial model used to calculate the required contribution.

General Fund expenses have grown 5.9% from 2015 to 2020 (based on FY20 estimated expenses), while Public Safety Pension Expenses have grown 65.15% in that same period. Personnel costs, primarily public safety pension expenses, have been and will continue to be the key expense driver in the General Fund. Expenses have been controlled by reducing staffing from 374.8 FTE positions in 2008 to 304.4 FTE positions in 2019.

	2015	2020	Difference	% Difference
Total General Fund Expenses	\$44.1	\$46.7 (Est.)	\$2.6	5.9%
Public Safety Pension Expenses	\$4.62	\$7.63	\$3.01	65.15%
Public Safety Pensions as a % of Total General Fund Expenses	10.5%	16.3%		

The required financial contribution to public safety pensions will increase in 2021 and beyond. The preliminary actuarial reports indicate that the required contributions in 2021 could increase by \$1,161,824 to \$1,952,697, a 15-22% increase. This increase is primarily driven by:

- Changes to the Mortality Table
- Amendments to Tier 2 Benefits
- Demographic Changes

Changes to the Mortality Table

In 2019, separate mortality tables for the private sector and public sector were created. This is the first time the private sector and public sector were evaluated separately, as it was

determined that public pensions have differing levels of mortality than private pensions. The updated public pension mortality tables increased the expected pension obligations by \$581,000.

Amendments to Tier 2 Benefits

The State of Illinois recently made three changes to Tier 2 public safety pension plans which enhanced the benefits to Tier 2 employees. The three changes to Tier 2 pension plans are as follows:

1. Expanding Surviving Spouse Benefits

A husband or wife of a deceased police officer or firefighter will now be eligible for two-thirds of the deceased's accrued pension benefits, regardless of how long the person worked before their death. Previously, employees hired after 2011 needed to work at least 10 years and vest before survivor benefits were available.

2. Increase Pensionable Salary Caps

Tier 2 public safety employees were subject to a pensionable salary cap that began at \$106,800 and has grown since 2011 at half of inflation or 3% per year, whichever is less. With the changes to the Tier 2 plan, the cap would grow at the Consumer Price Index, and will be retroactively applied to 2011.

3. Increase Final Average Salary

Tier 2 public safety employee's final average salary, which is used for calculating pension payments to the employee upon retirement, will now be based on the highest four out of the last five years rather than the highest eight of the last 10.

These changes were issued due to concerns that Tier 2 public safety pensions would not meet the IRS "safe harbor" rule which requires that public pension plans must be at least equal to the benefit they would receive under Social Security. The salary cap under Tier 2 and the Social Security wage base were the same in 2011 (\$106,800) but the Tier 2 cap for 2019 is \$114,952, while the Social Security wage base is \$132,900. These changes to the Tier 2 benefits increased the expected pension obligations by \$401,470.

Demographic Changes

Demographic factors can change from year to year within pension funds. Changes include hiring new members, members retiring or becoming disabled, inactive members passing away, and other changes. Demographic changes can cause short term fluctuations which may cause contributions to increase or decrease in any given year. The demographic factors increased the expected pension obligations by \$226,970.

Status on Police and Fire Pension Board Recommendations

The Police Pension Board met on June 8 and the Fire Pension Board met on June 17 to discuss the financial impact of the increased cost of required contributions to public safety pensions.

Each pension board is expected to vote on a proposal to meet the funding level required under state law at each board's next meeting.

FAQ on Public Safety Pensions

What Does "Public Safety Pension" Mean?

Police officers and firefighters are eligible for pension benefits upon retirement if they meet certain eligibility criteria which are set by State of Illinois law. Each municipality that employs police officers and firefighters must maintain a fund to pay the pensions. The pension funds are invested using parameters established by the State of Illinois to increase the value of the fund over time. The level of pension benefits is determined by State law.

Who Pays for Public Safety Pensions?

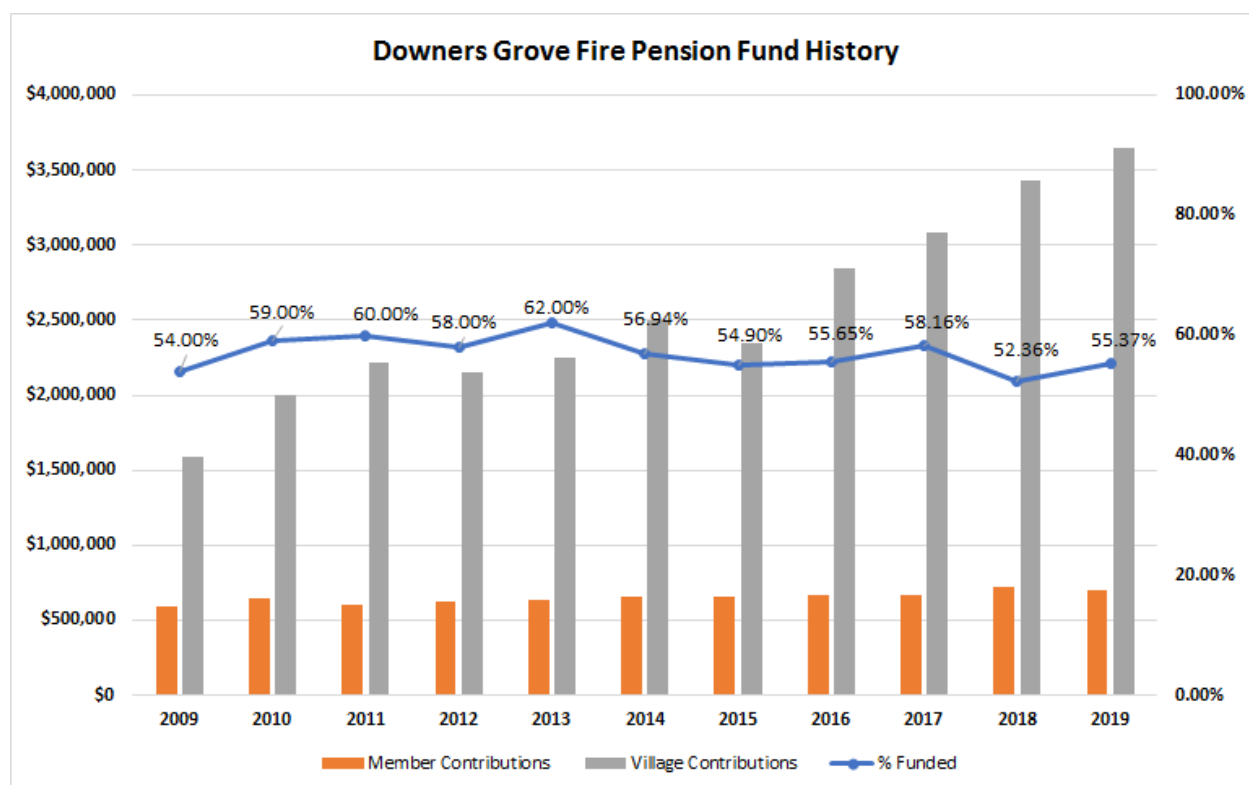
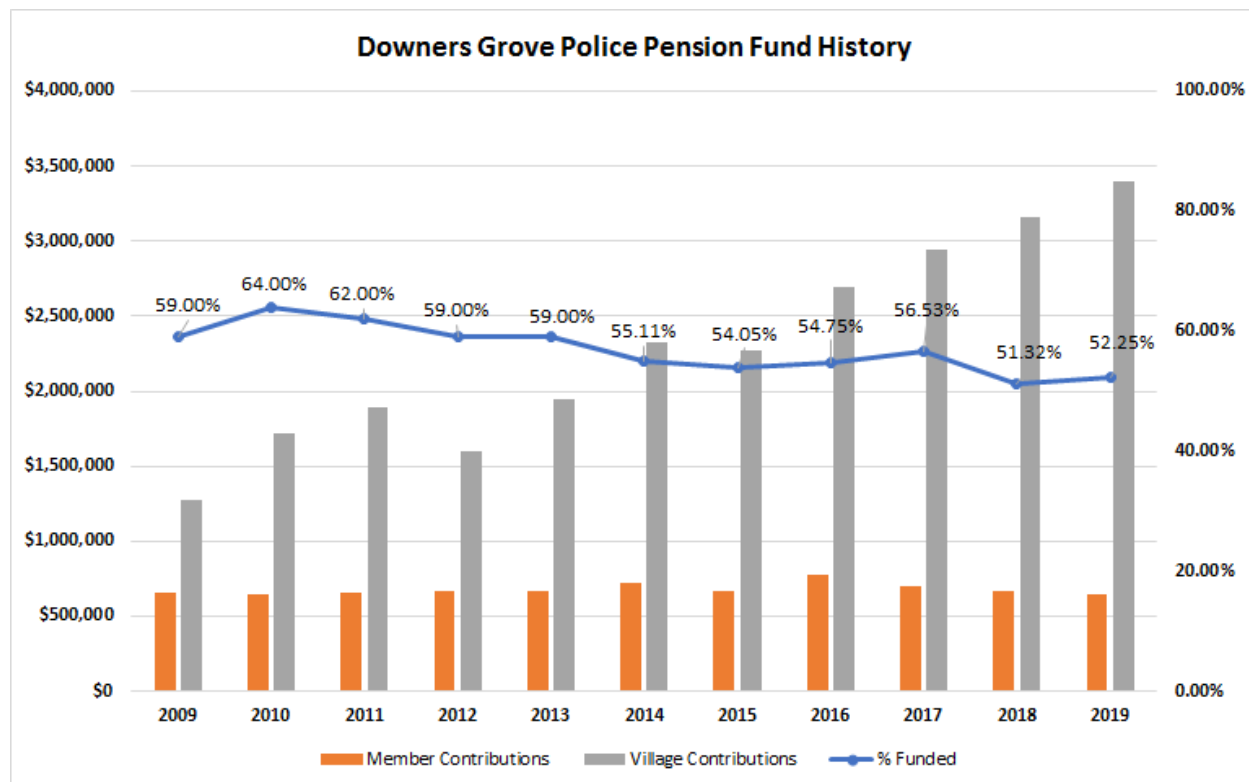
Both the employer and the employee are responsible for funding the public safety (police and fire) pension funds. Police officers contribute 9.91% and firefighters contribute 9.455% of their salary toward their pensions. This percentage is governed by State statute. The Village makes an annual contribution to each pension fund. The amount is based on an actuarial calculation that is determined by figuring the potential cost of the system based on statistical analysis which considers investment returns, employee contributions, and pension benefit payout costs

Does the Village Fund the Pensions at the Required Amount?

Yes, each year the Village makes the required annual contribution to both the Police and Fire Pension Funds.

What Does "Pension Levy" Mean?

The Village must contribute a minimum amount to its pension funds to meet the funding level required under State law. The funding level refers to the amount in the pension fund compared to the potential liability. This amount is the Village's annual property tax levy for pension contributions.



2019 - 2021 Long Range Plan

2020 Update

Report # 3

Published July 31, 2020

Updated August 7, 2020

Report #3

Strategies & Solutions

For the 2020 update to the Long Range Plan, the strategies and solutions to address the key issue are presented in the form of a COVID-19 Financial Response Plan. This plan will likely be similar to the Financial Response Plan presented to the Village Council in April 2020. While the plan presented in April is intended to guide the Village's response for the remainder of 2020, the LRP version of the Financial Response Plan is designed to be implemented over a longer period of time, at least through 2021.

Challenges

This issue presents several significant challenges which should be considered when preparing the response plan.

Uncertainty of Future Revenues

There is a great deal of uncertainty about the duration and impact of the pandemic on the local economy. No one can predict for sure for how long and to what extent the economy will be affected.

Delay in Obtaining Revenue Data

Another challenge is the lag time in the reporting of many of the Village's major revenue sources. For example, there is a 90-day lag in the reporting and remittance of Sales Tax revenue.

Uncertainty about Federal and State Financial Assistance

There is also uncertainty about financial assistance available to municipalities from the Federal and State governments. The Federal CARES Act does not provide financial assistance for municipalities with populations less than 500,000.

DuPage County recently approved an Inter-governmental Agreement which provides municipalities CARES Act funds up to \$51.84 per person. Downers Grove is eligible for a grant up to \$2.5 million to be paid over the remainder of 2020. The Village's first application to the County will be submitted in early August.

Objectives

The response plan should be guided by a series of objectives supported by the Village Council. Below are four objectives presented for Council consideration.

Achieve and Maintain Financial Sustainability

The Village's response should support financial sustainability; defined as aligning expenses with revenues on a long-term basis. Reserves in each fund, especially the General Fund, should be maintained at recommended levels on a long term basis. Reserves should not fall below 50% of the recommended level in any one year and reserves should not be below recommended levels for a period of more than three years. Fund balances in the Health and Risk Funds should remain robust in anticipation of increasing expenses related to the pandemic.

The Village has achieved and maintained financial sustainability during the past decade by restructuring staffing, operations and revenues in 2010 and making incremental adjustments to both revenues and expenses in the following years. Minor changes are made on an annual basis. More significant adjustments are made every few years as necessary. Examples of significant adjustments include the creation of the Stormwater Utility in 2013 and the adoption of a Food & Beverage tax in 2018.

Consider Modifications to Service Levels Excluding Substantial Reductions

Service levels should not be substantially reduced to respond to revenue shortfalls, but instead may be modified, shifted or enhanced to respond to community and Council expectations. Any modifications are not likely to result in substantial changes in General Fund expenses or eliminate major services currently provided. They may result in efficiency improvements or redirection of limited financial resources based on Council direction.

Maintain Low Life Cycle Costs of Infrastructure Systems

The Village owns and maintains several infrastructure systems including streets, sidewalks, stormwater, and water systems. These systems are operated and maintained according to multi-year plans designed to minimize the overall life-cycle cost of ownership. The response plan should not negatively impact the life-cycle cost of owning and operating infrastructure systems.

Align the Response with the Magnitude and Duration of the Issue

The Village's response should align with the magnitude and duration of the impacts of the pandemic. The response plan should be scenario based, scalable and have established timelines for making decisions and implementing action steps.

Key Concepts for the Plan

Multiple Funds

The negative impacts of the pandemic are affecting many funds including the General Fund, Capital Fund, Major Buildings Fund and Parking Fund. The General Fund, even with reserves at the recommended level, may not have the financial resources to fully respond to the issue. Many funds have financial resources which the Village may choose to use as part of the response plan. This concept is a key component of the current COVID-19 Financial Response Plan with up to \$6.5 million being transferred from the Capital and Major Buildings Funds to the General Fund.

Tiered Approach

The plan should consist of multiple, quantified action steps to be implemented in a priority order. Each set of actions, or tiers, should be determined in advance and implemented as economic conditions and Village revenue performance dictates.

Timelines for Decision Making and Implementation

Information about revenue performance will become available at different times. Most revenue

reporting includes significant delays; some as much as 90 days. As revenue information becomes available it will be used to help direct actions in the response plan. The plan should identify when key revenue information will be available and identify which action steps will be taken when and under what conditions.

Continuous Monitoring, Reporting and Decision Making

Due to the constantly changing nature of this issue, revenues and expenses in the key funds should be monitored on an ongoing basis. Information should be shared with the Village Council and the public at regular intervals. The Village Council and staff should work together to make plan implementation decisions at key points throughout the remainder of 2020 and throughout 2021.

FY21 Financial Response Plan

The proposed FY21 Financial Response is summarized below. The actions are presented in the order in which they are planned to be implemented and can be used to address a financial gap of up to \$8.3 million. The greater the revenue shortfall, the more actions will be undertaken. The plan will be used to prepare the FY21 municipal budget for Village Council consideration in November and December.

FY21 Financial Response Plan	
Seek Financial Assistance	TBD
Control General Fund Expenses	Up to \$1.3 Million
Reduce General Fund Transfer to Risk Fund	Up to \$1.0 Million
Enhance General Fund Revenues	Up to \$1.0 Million
Reduce Capital Investment to Essential Projects	Up to \$2.0 Million
Use General Fund Reserves	Up to \$3.0 Million
Total	Up to \$8.3 Million

Additional Plan Components

In addition to the six action steps with estimated dollar amounts, the plan includes the following two additional components.

Continue to Pay for Public Safety Pension Contributions with Property Tax Levy

The Village is required to make annual contributions to public safety pension funds according to state statutes. For FY21, the required contributions are expected to increase by \$1.16 to

\$1.95 million. For the past many years, the Village has levied property taxes to make these contributions. This practice should continue in FY21 and beyond.

Avoid Issuing Debt

During the time of revenue performance uncertainty, the Village should avoid issuing debt and creating additional future debt service payment obligations.

Seek Federal, State and County Financial Assistance - Amount TBD

The Federal government has made some funding available to municipalities to help offset the negative impacts of the pandemic. Additional funding may be made available in the future. The Village should continue to seek any and all financial assistance available. However, due to the uncertainty of obtaining funds, the plan should not count receiving any assistance.

Control General Fund Expenses - Up to \$1.3 Million

These measures are not intended to be implemented on a permanent basis as they are not sustainable over a long period. These expense control measures, which began in mid-March, 2020, are intended to be used throughout 2021 (a total of 21 months).

Fill Essential Vacancies Only - There are 9 vacant positions now. Some or all of these positions should remain vacant for the balance of FY20 and into FY21, if current economic conditions persist. Vacancies should be filled when revenue performance allows.

Essential Travel and Training Only - The Village provides a robust training program for employees. Essential training necessary to retain licenses and professional credentials should continue to be provided. Any additional training should take advantage of low-cost, local and web-based classes and seminars.

Essential Purchases Only - During the period of poorly performing revenues, purchases should be limited to only the most essential goods and services.

Reduce the General Fund Transfer to the Risk Fund - Up to \$1 Million

This action step reduces expenses in the General Fund and reduces revenue in the Risk Fund. The Risk Fund accounts for workers compensation and general liability expenses. Revenues for the Risk Fund are generated by contributions from other funds including the General Fund. Typically, the General Fund annual contribution to the Risk Fund is about \$2 million. Over the past several years the Village has been reducing the average annual expenses in the Risk Fund. Staff estimates that Risk Fund expenses in 2020 will be \$1.8 million, approximately \$500,000 less than the budgeted amount. This excellent performance in the Risk Fund will allow the Village to significantly reduce the transfer from the General Fund by up to \$1 million in 2021.

Risk Fund Revenue, Expenses and Balance, 2017 to 2020

Year	Revenue	Expenses	Ending Balance
2017	\$2,966,627	\$2,553,078	\$1,608,295
2018	\$2,345,587	\$1,740,452	\$1,445,953
2019	\$2,376,696	\$1,369,527	\$2,409,750
2020 Budget	\$1,706,000	\$2,334,694	\$1,781,056
2020 Estimate	\$1,720,000	\$1,816,050	\$2,313,700

Enhance Revenues - Up to \$1.0 Million

The Village should explore increasing the rates of the following existing revenue sources in conjunction with the adoption of the FY21 budget.

Existing Revenues - Potential Increases			
Revenue	Current Rate	Potential Rate	Approximate Revenue
Food and Beverage Tax	1%	1.5%	\$700,000
Ambulance Fees	Varies	+25% Increase	\$375,000
Property Tax Levy - Ops	\$6.0 Million (FY20 Bud.)	TBD	--

Defer Capital Projects in the Capital & Major Buildings Fund and Shift the Revenue to the General Fund (Essential Projects Only) - Up to \$2.0 Million

Under this action step, the Village would construct essential capital projects only and would transfer revenues used to fund capital projects to the General Fund in an amount up to \$2 million. Essential projects consist of those which must be completed in a timely manner such that the long term cost of owning and operating the infrastructure system in question does not increase. This is consistent with the objective *Maintain Low Life Cycle Costs of Infrastructure Systems*. This strategy, which is now being employed in FY20, can be used again in FY21. However, staff does not recommend using this strategy in FY22 and beyond as the life cycle costs of the infrastructure system are likely to increase if capital projects are delayed for more than two years.

With this approach, the street resurfacing program would be reduced and funded entirely with State motor fuel tax revenues. The Jefferson-Brookbank Sidewalk Connection project and the Downers Drive/Finley Mall Traffic Signal Replacement Project would be postponed until FY22.

The Capital Projects Fund will be in a good financial position to support the General Fund due to a \$3 million Rebuild Illinois grant. The Village will be receiving about \$3 million to pay for new transportation related projects (maintenance activities are not eligible). The grant will be paid in 6 equal installments over the next three years. The Village recently received the first two installments totalling over \$1.0 million. Staff is now working with IDOT to confirm that the funds can be used for the following projects which have already been identified:

- Transportation Projects included in the High School Pedestrian Safety Study
- Reconstruction of Forest Lot North parking lot
- Replacement of Traffic Signals

This strategy applies only to the Capital and Major Buildings funds. Capital projects for the stormwater management system (Stormwater Fund), the water system (Water Fund) and portions of the street system funded by the Motor Fuel Tax Fund will not be affected by this plan.

Use General Fund Reserves - Up to \$3.0 Million

The General Fund currently has a balance, or reserves, of \$20.6 million. This represents about 41.4% of budgeted FY20 expenses. The Village's fund balance policy and the financial rating agencies' best practice recommendations call for maintaining a balance of approximately 38% of annual expenses. The use of \$3.0 million would result in a balance of \$17.6 million, which is 35% of estimated FY21 expenses. Reserves would be replenished to the recommended level of 38% over the next two years.

Municipal Comparison of Revenue Enhancements

Food & Beverage Tax - The Downers Grove Food and Beverage Tax is a 1% tax on the purchase price of alcohol, packaged liquor, prepared foods and non-alcoholic beverages for immediate consumption.

Food & Beverage Tax - Additional Revenue

Rate	Additional Revenue
Current - 1%	--
1.5%	\$700,000
2.0%	\$1,400,000
2.5%	\$2,100,000
3.0%	\$2,800,000

Food & Beverage Tax - Rate Comparison

Municipality	Food & Beverage Tax Rate
Hoffman Estates	2% F&B (3% Packaged liquor)
Schaumburg	2%
Lombard	2%
Naperville	1% (2% DT)
Glendale Heights	1%
Elk Grove	1%
Buffalo Grove	1%

Natural Gas Use Tax - The Village currently taxes natural gas usage at \$.015 per therm, with 100% of the revenue allocated to the General Fund. The maximum rate is \$.05 per therm. This revenue source currently generates \$450,000 per year.

Natural Gas Use Tax - Additional Revenue

Rate	Additional Revenue
Current - \$.015 per therm	--
\$.020 per therm	\$150,000
\$.030 per therm	\$450,000
\$.040 per therm	\$750,000
\$.050 per therm	\$1,000,500

Natural Gas Use Tax - Rate Comparison

Municipality	Natural Gas Use Tax Rate
Carol Stream	\$.040
Naperville	\$.040
Wheaton	\$.030
Glen Ellyn	\$.020
Elmhurst	\$.015
Lombard*	5.00%
Oak Brook	5.00%

*Lombard and Oak Brook tax based on percentage.

Ambulance Fees - The Village charges ambulance service fees based on the type of service call, the mileage driven and whether or not the patient is a resident. The Village currently generates \$1,500,000 in revenue from Ambulance Fees.

Ambulance Fees - Additional Revenue

Rate	Additional Revenue
Current -	--
25% Increase	\$375,000
40% Increase	\$600,000

Ambulance Fees - Rate Comparison

Municipality Comparison	Downers Grove Rank
Current	22
25% Increase	13
40% Increase	13

The average ambulance service fees across 26 municipalities were used to compare ambulance rates.

Home Rule Sales Tax - The Home Rule sales tax is in 0.25% increments with no maximum rate limit. The Village taxes at a rate of 1.0%.

Home Rule Sales Tax - Additional Revenue

Rate	Additional Revenue General Fund	Additional Revenue Capital Fund
Current - 1.0%	--	
1.25%	\$375,000	\$1,125,000
1.50%	\$450,000	\$1,350,000
1.75%	\$525,000	\$1,575,000

Home Rule Sales Tax - Rate Comparison

Municipality	HRST Tax Rate
Lombard	2.00%
Oak Brook	1.50%
Glen Ellyn	1.25%
Wheaton	1.00%
Downers Grove	1.00%
Carol Stream	1.00%
Elmhurst	0.75%
Naperville	0.75%

Electricity Tax - This tax is assessed on electricity consumption by residential and commercial customers in Downers Grove. The Village taxes at 65% of the rate maximum allowed by the state. This revenue source currently generates \$1,900,000 per year.

Electricity Tax - Additional Revenue

Rate as % of Max	Additional Revenue
Current 65%	--
75%	\$290,000
90%	\$730,000
100%	\$1,000,000

Electricity Tax - Rate Comparison

Municipality	Electricity Tax Rate as % of Max
Wheaton	100%
Lombard	100%
Oak Brook	100%
Glen Ellyn	88%
Elmhurst	88%

Local Gasoline / Motor Fuel Tax - A local motor fuel tax is levied directly by the Village on gasoline sold at retail in the Village limits. The motor fuel tax is levied at \$.015/gallon. This revenue generates \$200,000 per year.

Local Gasoline Tax - Additional Revenue

Rate	Additional Revenue
Current - \$.015	--
\$.020	\$65,000
\$.025	\$135,000
\$.030	\$200,000

Local Gasoline Tax - Rate Comparison

Municipality	MFT Tax Rate
Naperville	\$.040/gallon
Elmhurst	\$.015/gallon
Carol Stream	\$0.04/gallon
Glen Ellyn	\$0
Lombard	\$0
Wheaton	\$0
Oak Brook	\$0

New Revenues - The following revenues are currently not charged by the Village but are available under state statute.

Vehicle Stickers - The Village does not require vehicle stickers for vehicles principally housed within Downers Grove. This would be a new fee. The projected revenue below is based on Census data -with 19,187 households at approximately 2 cars/household.

Vehicle Stickers - Projected Revenue

Rate	Projected Revenue
\$20	\$750,000
\$30	\$1,000,000
\$35	\$1,300,000
\$40	\$1,500,000
\$45	\$1,725,000

Vehicle Stickers - Rate Comparison

Municipality	Rate	Transfer Fee
Elmhurst	\$45	\$2.00
Glen Ellyn*	\$25	\$0.00
Carol Stream	\$15	\$1.00

*A three-year fee can be purchased for \$70.

-All municipalities with a vehicle sticker fee have higher graduated fees for heavier vehicles (trucks, recreational vehicles), and lower fees for motorcycles/mopeds.

Real Estate Transfer Tax - The Village could levy a real estate transfer tax, which would be levied on the sale of residential or commercial property. The tax can be levied on the seller of the home or the purchaser of the home. This tax would require approval by referendum.

Real Estate Transfer - Projected Revenue

Tax Amount per \$1,000	Projected Revenue
\$1.50	\$325,000
\$2.00	\$430,000
\$2.50	\$540,000
\$3.00	\$650,000

Real Estate Transfer - Rate Comparison

Municipality	Rate Per \$1,000 of Sale Price
Carol Stream	\$3.00
Glen Ellyn	\$3.00
Naperville	\$3.00
Wheaton	\$2.50
Elmhurst	\$1.50

Video Gaming Revenues - The Village currently does not allow video gaming. The Video Gaming Act states revenue from video gaming terminals is to be split between the State, the establishment, and the terminal operator. The State receives 30%, and the establishment and terminal operator both receive 35%. Of the 30% tax to the state, the municipality receives 5%.

Video Gaming Tax - Projected Revenue

Tax Rate	Projected Revenue
Video Gaming Revenue	\$100,000 - \$300,000 (\$10,000 - \$15,000 per establishment)

Municipalities Allowing Video Gaming

Municipality	Number of Establishments	Video Gaming Revenue
Addison	23	\$400,000
Westmont	17	\$385,000
Carol Stream	16	\$310,500
Lemont	23	\$250,000
Orland Park	19	\$155,000
Woodridge	8	\$115,000

Fire Recovery Billing and EMS Refusal - Over 120 fire departments bill for fire response related services within Illinois. The cost of fire response related services are based on actual costs using amortized schedules for apparatus (including useful life, equipment, repairs, and maintenance) and labor rates include an average department's actual burdened labor costs and not just a firefighter's wage. These include wages, retirement, benefits, workers comp, etc.

In addition to billing for fire response related services, the Village could charge a fee for refusing emergency medical services (EMS). Refusals are not covered under insurance and are out of pocket. The majority of agencies charging for refusals charge \$50-\$100, Village staff recommends charging \$100 for refusal of service.

Fire Recovery Billing - Projected Revenue

Projected Revenue
\$130,000

Municipalities that bill for Fire Recovery

Municipality
Darien-Woodridge
Lisle-Woodridge
Naperville
Tri State Fire District
Warrenville
Westmont

EMS Refusal - Projected Revenue

Cost of Refusal	Projected Revenue
\$100	\$55,000

EMS Refusal - Rate Comparison

Rate Comparison
Majority of Fire Departments charge \$50 - \$100 for EMS refusal

2019 - 2021 Long Range Plan

2020 Update

Report # 4

Published August 14, 2020

Updated September 4, 2020

LONG RANGE PLAN REPORT #4

PRIORITY ACTION ITEMS

A key component of the Long Range Plan is the Village Council Priority Action Items. These items reflect the Council priorities and will serve as the work plan from September 2019 through April 2021.

Criteria for Priority Action Items

Priority Action Items reflect Council priorities for new policies or revisions to existing programs and policies. The criteria for a Council Priority Action Item include:

- **Support of Strategic Plan Goals and Key Issues** - the action should achieve a measurable result that supports one or more of the Strategic Plan Goals and/or Key Issues addressed during Long-Range Planning.
- **Village Council Policy Direction Required** - the action requires the Village Council to provide policy level direction to be completed.
- **Six Months or More to Complete** - the action requires significant staff and/or Village Council time; six months or more from the time staff begins work on the action to the time the action is completed.
- **Multi-Departmental Effort** - the action requires effort from more than one Village department.

The list of Priority Action Items serve as the work plan from September 2019 to April 2021 and contains eight action items. Progress on many of the action items was significantly affected as the Village focused on continuing to provide services to the community in response to the COVID-19 pandemic. The pandemic has dramatically impacted the Village's finances and operations. These impacts are likely to continue well into 2021. Below is a summary of the completed tasks that Village staff has completed, and the tasks that Village staff will likely be working on as the pandemic continues.

Villages Response to the COVID-19 Pandemic	
Completed Tasks	Ongoing Tasks
• Created a multi-tier financial response plan for FY20 • Modified day to day service operations such as parking, utility billing, food & beverage remittance and garbage sticker purchases • Secured funding for the Village through the CARES Act • Provided analysis on revenue sources, expenses and local economic conditions • Established procedures to allow employees to work remotely • Completed data maintenance work for the update of the ERP system • Created alternative work schedules for public safety and public works employees • Modified Village buildings to meet CDC guidance • Established outdoor dining area and liquor licensing rules for restaurants • Established remote permit inspection process procedures	• Finalize a multi-tier financial response plan for FY21 • Create a proposed budget based on the financial response plan • Continue to seek federal and state assistance • Continued public outreach to the community • Implement plan for staffing and operations aligned with Restore Illinois reopening phases

Update the Priority Action Items for the Remaining Eight Months for this Village Council

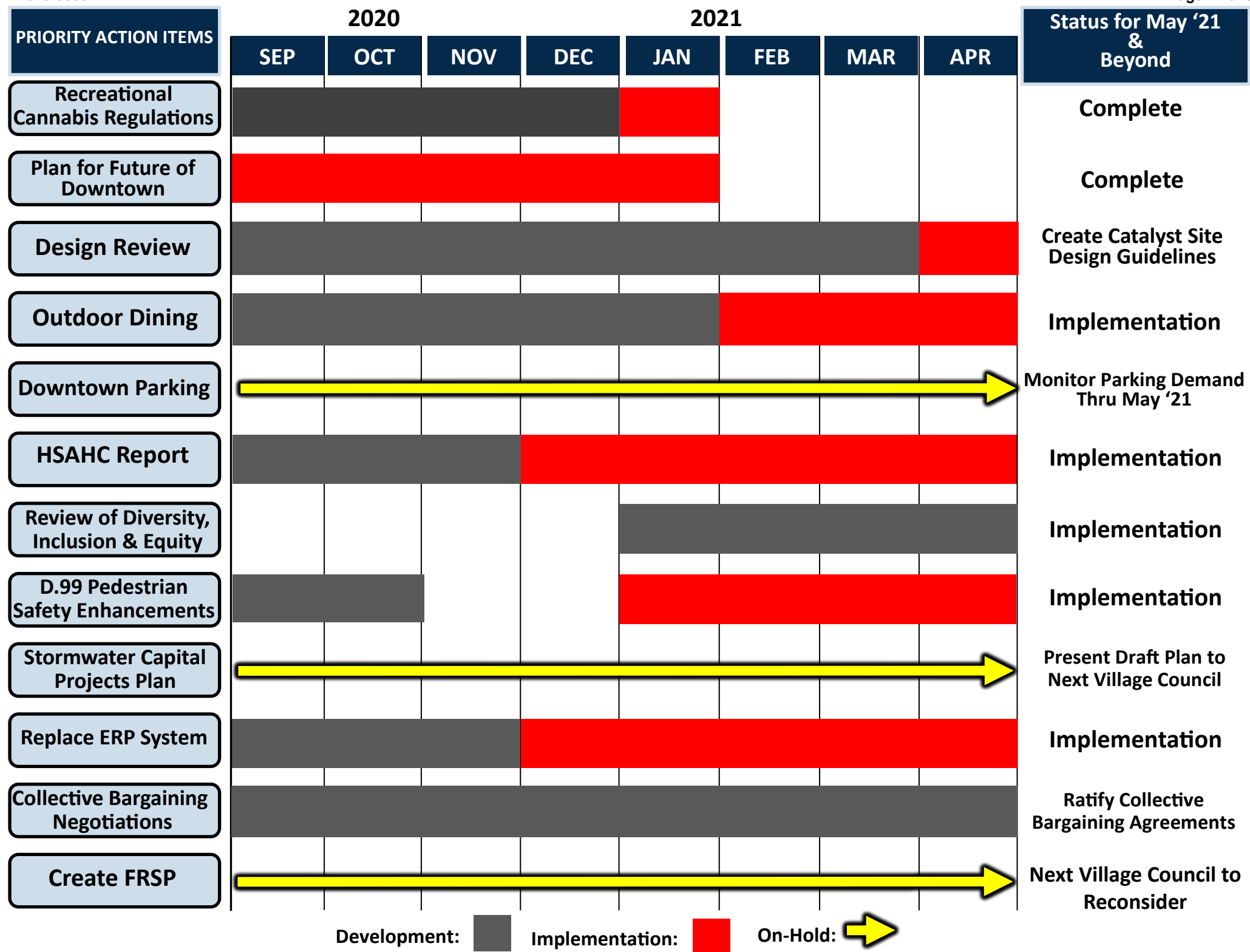
The Village Council should update the Priority Action Items to create a work plan for September 2020 through April 2021, the eight months remaining under the current Village Council. The Priority Action Items will be reflected in the FY21 Proposed Budget which will be published in late October and considered by the Village Council in November and December.

In addition to the eight action items included in the 2020-21 Long Range Plan, staff is working to complete five tasks which require significant efforts and should be considered Priority Action Items.

Priority Action Item	Description	Status
Create a Village Facilities Replacement & Sustainability Plan	This project will result in: • The replacement of the existing Police Station and Village Hall • Improvements to the intersection of Washington Street and the railroad tracks • A financial plan including the estimated total project costs and revenues identified to pay for the project costs	Temporarily Suspended
Create a Plan for the Future of the Downtown	This project will result in a plan, prepared at the final detail level, addressing: • Infrastructure maintenance needs • Services and operations to be provided • Roles & responsibilities • Funding sources • Implementation of Comprehensive Plan recommendations	Proceeding on Schedule Completion expected in January 2021
Develop and Implement a Downtown Parking Plan	This project will result in: • An analysis of the impacts on parking in the Downtown from the three recently constructed buildings (Marquis on Maple, Burlington Station & Maple & Main) • An analysis of parking supply and demand overall	Temporarily Suspended The parking plan was accepted by the Village Council on December 17, 2019 . During the pandemic, parking demands in the downtown, especially commuter parking, has decreased substantially. Staff is monitoring downtown parking demands

	Recommended improvements to parking operations and options available to expand parking resources	and will continue to do so until Phase 5. The parking plan may need to be revised based on potential permanent changes in parking demand.
Pedestrian Safety Enhancement Plan Near High Schools	This project will result in: - An analysis of all relevant data to provide a range of solutions for improving pedestrian and traffic safety near the high schools - Community engagement to receive input from impacted stakeholders - Refinement of the range of solutions based on data analysis and community engagement - Selection and implementation of a preferred solution to improve pedestrian and traffic safety	Proceeding, Delayed 5 Months The High Schools Pedestrian Safety Study was accepted by the Village Council on February 18, 2020. This implementation of the study was delayed by approximately five months due to the pandemic. Staff is working with TaP to develop a recommended implementation plan. The recommendations should be ready for Council consideration in fall.
Create a Stormwater Capital Projects Plan	This project will result in a multi-year plan which: - Identifies areas of the Village which do not meet the recommended level of service - Identifies and prioritizes the capital projects to be constructed to achieve the recommended level of service - Provides preliminary cost estimates for the capital projects - Includes a financing plan to pay for the projects aligned with the Stormwater Utility Fee Plan	Proceeding, Delayed 5 Months This project was delayed by approximately five months due to the pandemic. A consultant was engaged to complete a Drainage Stormwater and Master Plan. Staff now has more time available to complete this project. The consultant's role in the project will be substantially reduced. A draft Stormwater Capital Projects Plan will be prepared for Council consideration in the spring of 2021.
Review and Consider the Human Service Ad Hoc Committee Report	This project will result in Village Council direction on the roles and responsibilities of the Human Service Commission and the services to be provided by the Village. The direction provided will assist in the preparation of annual budgets and operating plans.	Proceeding, Delayed 4 Months This project was delayed by approximately four months due to the pandemic. The revised report should be ready for Council consideration in November.
Consider Regulations and Taxes on Recreational Marijuana	This project will result in either a ban on marijuana businesses or zoning regulations and a tax on marijuana sales of up to 3%	Completed
Replace the Enterprise Resource Planning System	This project will result in the replacement of the Village's Enterprise Resource Planning System (currently EDEN).	Proceeding, Delayed 4 Months Completed vendor demonstrations, and are in the process of vendor selection. Implementation of the ERP replacement is expected to begin in Q4 of 2020 and be completed in Q4 of 2022.

New Priority Action Items Underway		
Develop a Permanent Outdoor Dining Program in the Downtown	This project will result in a permanent outdoor dining program for the restaurants located in the downtown.	Work Started in July Project is on Schedule Target Completion is January, 2021
Consider Amendments to the Design Review Process	This project consists of four key tasks: • Update the Downtown Pattern Book • Update the Downtown Design Guidelines • Create Design Guidelines for Catalyst Sites • Consider Amending the Development Review and Approval Process for Downtown and Catalyst Site Developments	Work Started in August Project is on Schedule Target Completion is April, 2021
Continued Response to the COVID-19 Pandemic	This issue will continue to significantly impact the Village's finances and operations.	Ongoing
Review the Village of Downers Groves Diversity, Inclusion and Equity Practices	This project will utilize the review process to ensure Downers Grove is a model organization for diversity, inclusion and equity.	Proceeding on Schedule Project scheduled to begin in January, 2021.
Collective Bargaining Agreements	Village staff will be negotiating to renew three of the four union agreements the Village is currently engaged in.	Proceeding, Delayed 5 Months Fire: January, 2020 - December, 2020 Police: September, 2020 - February, 2021 Public Works: January, 2021 - April, 2021



Appendix - Report #2

Local Economic Conditions

The local economy is in a much different condition than it was when the 2019-2021 Long Range Plan was developed. The negative economic impacts of the pandemic have been significant. Understanding the current local economic conditions may help inform the preparation of the LRP update.

The impact of the COVID-19 pandemic on the local economic conditions is still unfolding, and will become better understood as time goes on. Staff will continue to monitor each sector of the local economy and provide insights and analysis as new information becomes available.

Below is the update of the local economic conditions for the LRP Report #2. Due to the timing of information being published for each economic sector, only certain sectors could be updated. Please see the Appendix in [LRP Report #1](#) for the original local economic conditions outlook.

Employment

LRP Report #2 Update - Added May 2020 Data

Downers Grove

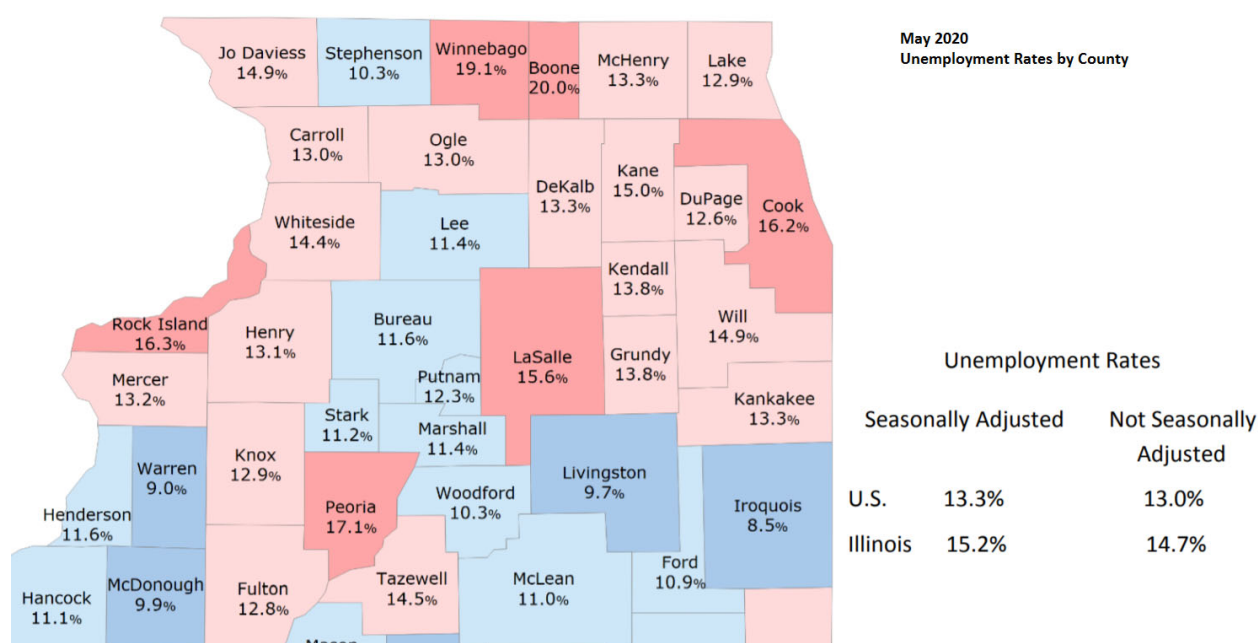
Downers Grove is still seeing the significant impacts on employment caused by the COVID-19 pandemic, however there has been improvement. In May, the unemployment rate in Downers Grove dropped to 11.2%, a 1.8% decrease from April. Municipalities of comparable sized communities and labor forces all saw an improvement in unemployment rates, with decreases ranging from 1.5% - 2.6% from April to May.

	March			April			May			% Change from April
	Labor Force	Un-employed	Rate	Labor Force	Un-employed	Rate	Labor Force	Un-employed	Rate	
Elmhurst	23,530	772	3.3	21,663	2,615	12.1	22,340	2,365	10.6	-1.5
Downers Grove	27,146	867	3.2	25,270	3,275	13.0	25,978	2,912	11.2	-1.8
Wheaton	28,602	892	3.1	26,487	3,294	12.4	27,211	2,889	10.6	-1.8
Woodridge	20,218	709	3.5	19,268	2,939	15.3	19,777	2,653	13.4	-1.9
Glen Ellyn	14,074	455	3.2	13,080	1,681	12.9	13,420	1,466	10.9	-2.0
Mount Prospect	29,209	947	3.2	27,827	4,183	15.0	28,510	3,715	13.0	-2.0
Elk Grove	18,798	747	4.0	18,195	3,093	17.0	18,628	2,791	15.0	-2.0
Hoffman Estates	29,606	1,094	3.7	28,453	4,599	16.2	29,084	4,068	14.0	-2.2
Des Plaines	32,904	1,445	4.4	32,100	5,780	18.0	32,764	5,163	15.8	-2.2
Lombard	25,513	927	3.6	24,430	3,852	15.8	24,903	3,323	13.3	-2.5
Carol Stream	23,479	833	3.5	22,586	3,632	16.1	22,989	3,112	13.5	-2.6

DuPage County and Illinois

The unemployment rate across Illinois decreased from 16.4% in April to 15.2% in May, as Illinois continues to recover from the record high increase from March to April. The three-month average Illinois payroll employment estimate was down -245,800 jobs from March to May of this year compared to February to April. The largest average declines were found in:

- Leisure and Hospitality (-95,700)
- Trade, Transportation and Utilities (-33,600)
- Professional and Business Services (-30,000)



Unemployment rates are trending in the right direction as Illinois continues to move through each phase of the Restore Illinois plan, and should continue to trend in the right direction as businesses safely reopen and staffing levels begin to return to normal.

Income

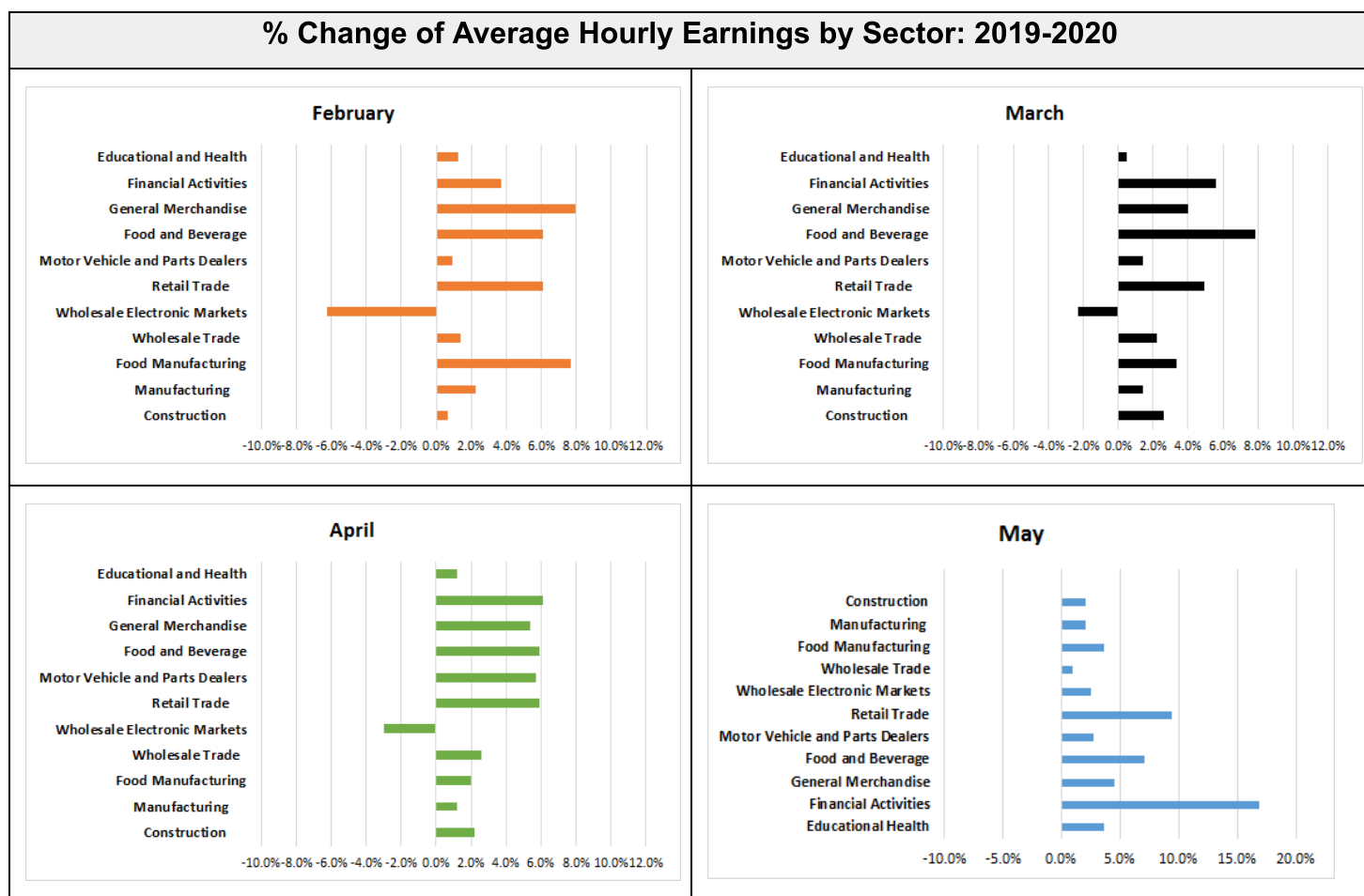
LRP Report #2 Update - Added May 2020 Data

Downers Grove

Local data on income is produced on an annual basis from the State of Illinois. More detail on the performance of the Downers Grove income tax revenue will be discussed as part of the revenue performance section in the LRP Report #2.

Illinois

% Change of Average Hourly Earnings by Sector: 2019-2020

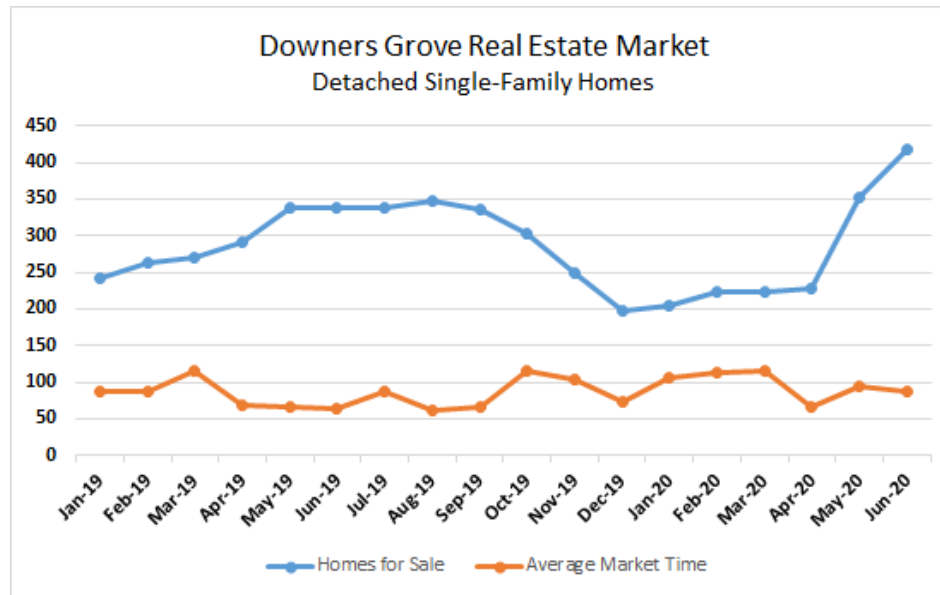


Property Values and Real Estate Market

LRP Report #2 Update - Added May & June 2020 Data

Downers Grove

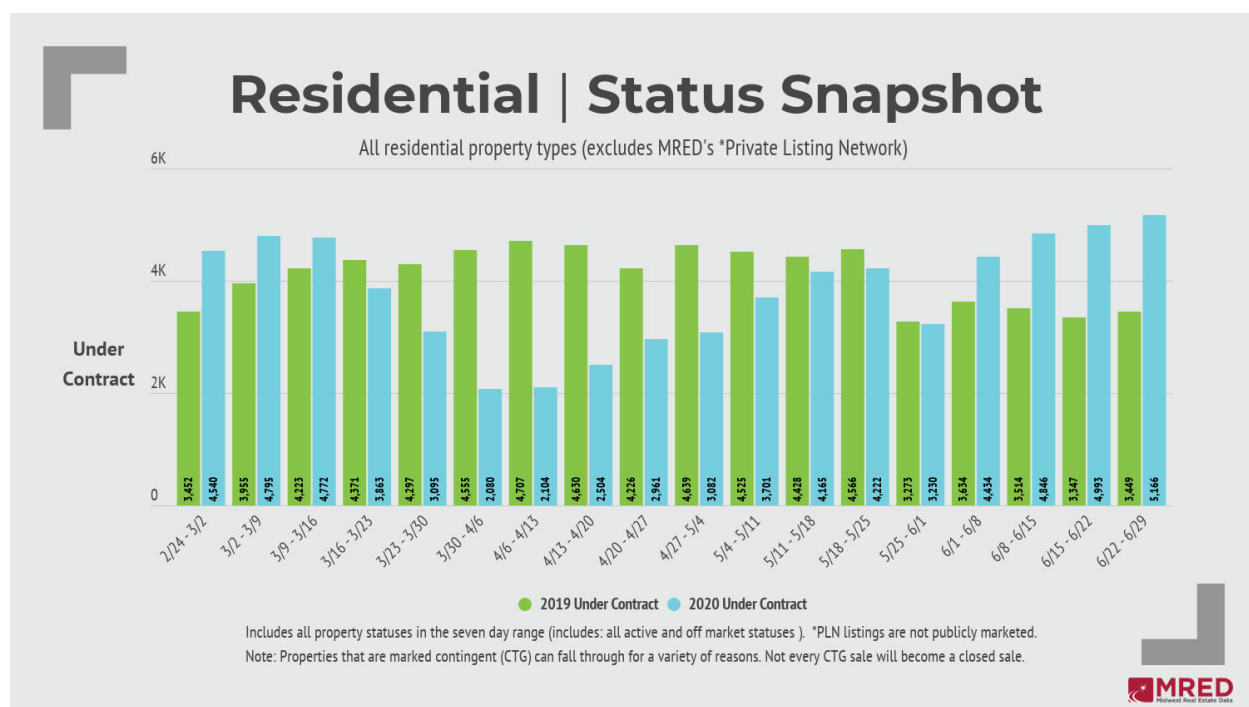
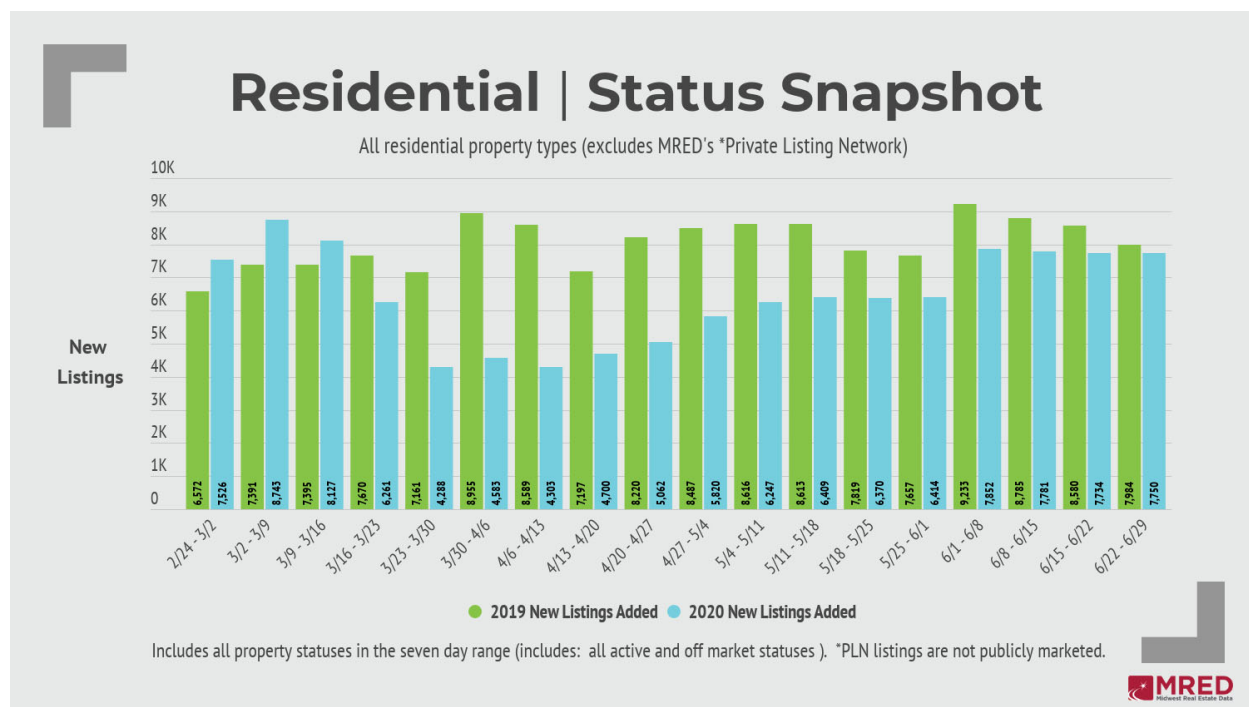
In 2020 The real estate market in Downers Grove has continued to be active from the start of the year through June 2020. The number of homes on the market through June of 2020 is 418, which is 79 more than June 2019.



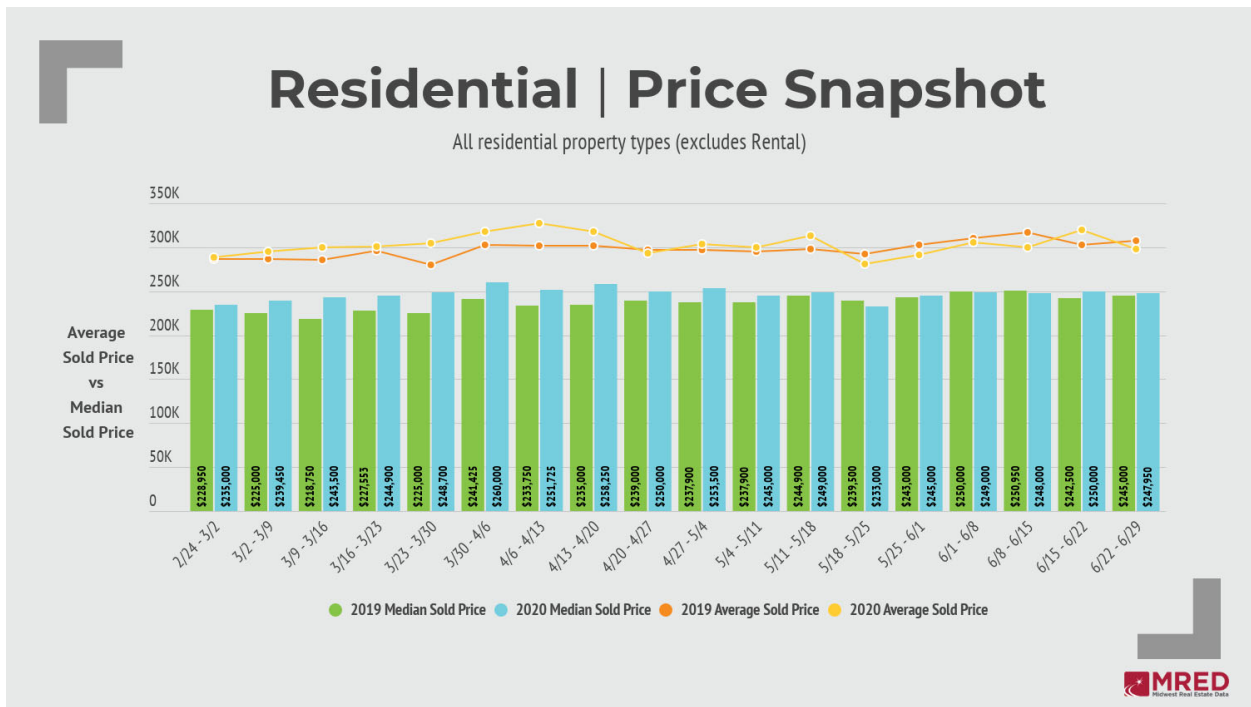
Northern Illinois, southern Wisconsin, northwest Indiana

Aggregate data from professional realtors across northern Illinois, southern Wisconsin, and northwest Indiana illustrates the regional trend of the residential real estate market for a rolling 12 week period.

The regional real estate market saw a drop in new listings throughout March and April, with a slight increase in the month of May. There was an increase in the number of new listings in June that were comparable to the new listings added in 2019. The data shows that the number of houses under contract in 2020 have surpassed the number of houses under contract in 2019 for each week in June, which reinforces the point that the housing market is still going strong.



The median sales price and average sales price of residential properties in the region have been stable.



Retail Sector

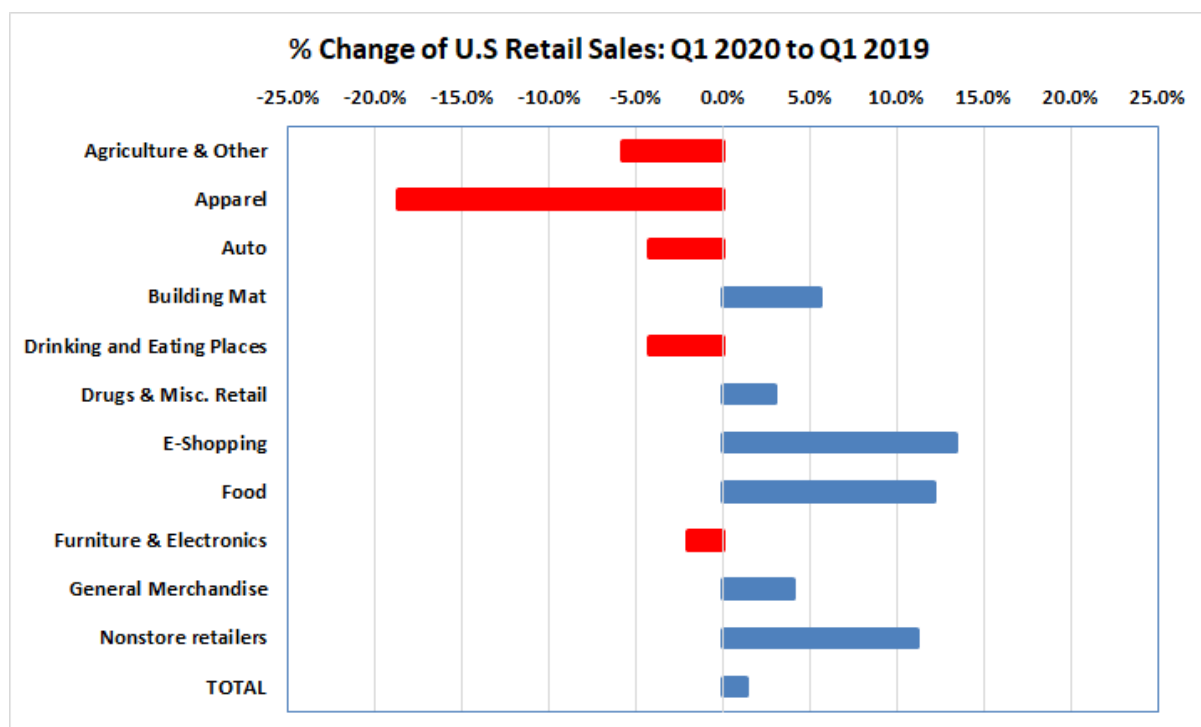
LRP Report #2 Update - None

Downers Grove

The retail sector across the United States has been decimated by the COVID-19 pandemic. Many retailers in Downers Grove closed because of the executive orders to close down non-essential businesses. More detail on the performance of the Downers Grove retail sector will be discussed as part of the revenue performance section in the LRP Report #2.

National Level

The COVID-19 pandemic has forced states across the country to enact stay-at-home orders that have adversely affected many retail sector industries across the country. The impact of the pandemic has affected each retail sector differently as grocery stores and electronic shopping saw a large increase in sales for the first quarter of 2020 compared to the first quarter of 2019, and sectors such as agriculture, apparel and the auto industry saw significant declines.



Overall the total retail sector saw a slight increase in sales for the first quarter of 2020, however many stay-at-home orders were issued in the middle of March. It is expected that the negative impacts of the COVID-19 pandemic will be much more evident in the second quarter of 2020.

Automotive Industry

LRP Report #2 Update - Added May 2020 Data

Chicago Metropolitan Area

The majority of consumers have not been interested in car shopping during the pandemic. In Downers Grove, the auto dealer showrooms remained open, but most of the customer traffic was in the service department. New vehicle registrations in the eight county Chicago Metropolitan area declined 20.6% during the first five months of 2020 compared to the same period in 2019. In May 2020, new vehicle registrations declined 36.3% compared to May 2019.

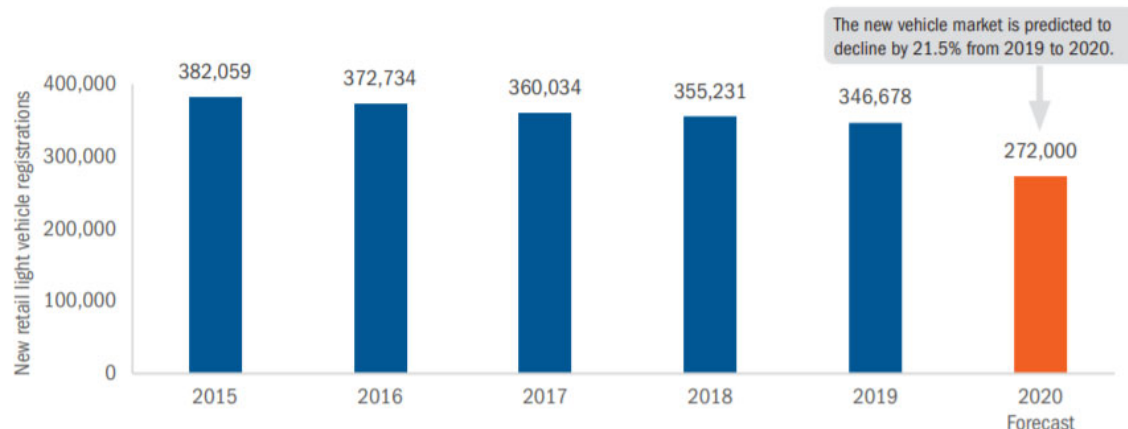
Chicago Area New Retail Light Vehicle Registrations

	Light Trucks	Cars	TOTAL
YTD '19 thru May	92,052	39,328	131,380
YTD '20 thru May	73,110	25,720	98,830
% change	-20.6%	-34.6%	-24.8%
May, 2019	21,328	9,540	30,868
May, 2020	14,509	5,162	19,671
% change	-32.0%	-45.9%	-36.3%

Source: Chicago Auto Trade Association

While new vehicle registrations declined 20.6% through the first five months of 2020, the number of new registrations is not expected to continue to drastically decline and the industry is showing signs of recovery. New vehicle registrations are expected to fall to 272,000 units, down 21.5% from 2019.

Annual Trends in Area New Vehicle Market



Source Chicago Auto Trade Association

National Level

Similar impacts can be seen at the national level. New vehicle sales are down 35.7% during the first five months of 2020 compared to last year. New vehicle sales for 2020 are projected to be 13.5 million units, down 21.1% from 2019 which is in line with the Chicago area estimates.

U.S. Light-Vehicle Sales (Seasonally Adjusted at Annual Rates)				
	May 2020	Y/Y %	Jan - May 2020	YTD/YTD %
Total Car	2.65	-44.9%	3.15	-35.7%
Total Light Truck	9.56	-23.9%	9.85	-17.9%
Domestic Light Vehicle	9.10	-32.8%	10.07	-23.2%
Import Light Vehicle	3.11	-18.8%	2.93	-22.5%
Total Light Vehicle SAAR	12.21	-29.8%	13.00	-23.1%

Source: National Auto Trade Association

Restaurant Sector

LRP Report #2 Update - None

Downers Grove

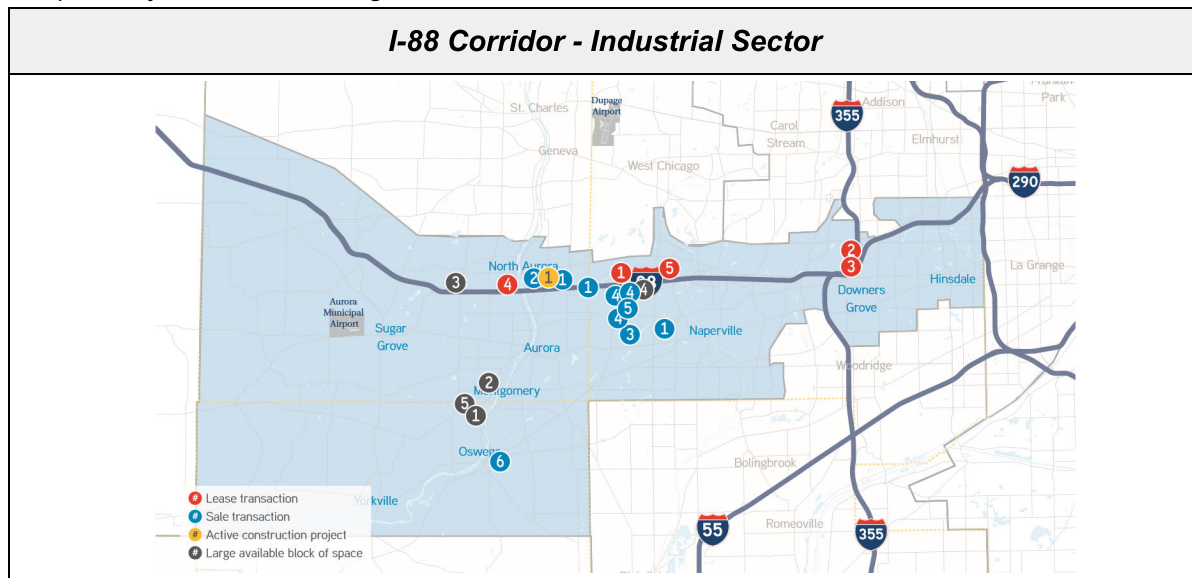
There are nearly 160 restaurants in Downers Grove. This is an important part of Downers Groves local economy generating the third largest portion of municipal sales taxes. However, the restaurant industry here, and throughout the United States, was crippled by stay at home and other executive orders. Nationwide, restaurants and bars saw a 29.5% decline in April 2020. In Illinois, inside dining has been prohibited. Restaurants without drive-thru service relied on delivery and carry-out orders. As of May 29, restaurants in Illinois were permitted to open for outdoor dining. In Downers Grove, municipal sales taxes from restaurants in the first quarter 2020 were down by 10.69%, compared to the first quarter of 2019. However, because of restaurants having been closed for inside dining by late March, the Village's food and beverage tax revenues declined by 49% in April. More detail on the performance of the Downers Grove restaurant sector will be discussed as part of the revenue performance section in the LRP Report #2.

Industrial Sector

LRP Report #2 Update - None

Chicago Metropolitan Area

The Chicago Metropolitan area is divided into 22 industrial sub-sectors and the data is tracked on a quarterly basis. The Village of Downers Grove is in the I-88 Corridor submarket.



Chicago's industrial market set a record during the first quarter of 2020, recording 14.6 million square feet of new leasing volume or lease expansion, and had one of its lowest vacancy rates since 2001 at 6.16%. The I-88 Corridor vacancy rate increased to 7.83% which is the highest rate recorded in the submarket since the third quarter of 2016, although the I-88 Corridor has had strong and stable vacancy rates over the past eight years.

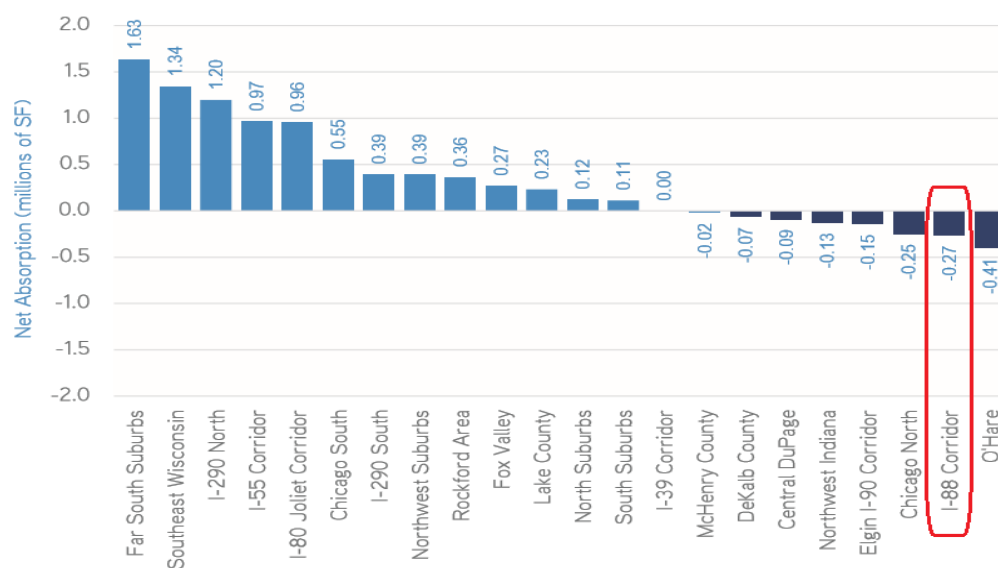
Market Indicators - Chicago Metro					Market Indicators - I-88 Corridor				
Market Indicators					Submarket Indicators				
CHICAGO INDUSTRIAL MARKET		Q1 2020	Q4 2019	Q1 2019	I-88 CORRIDOR		Q1 2020	Q4 2019	Q1 2019
VACANCY RATE	↓	6.16%	6.25%	6.30%	VACANCY RATE	↑	7.83%	6.55%	6.83%
NET ABSORPTION (SF)	↑	7,156,805	3,850,122	3,714,834	NET ABSORPTION (SF)	↓	-268,483	82,820	-440,140
NEW SUPPLY (SF)	↑	6,286,754	6,002,227	3,645,367	NEW SUPPLY (SF)	↑	764,500	274,664	463,999
UNDER CONSTRUCTION (SF)	↑	18,618,579	17,216,062	16,898,373	UNDER CONSTRUCTION (SF)	↓	161,986	926,486	1,021,797
NEW LEASING ACTIVITY (SF)	↑	14,615,231	11,618,326	8,684,136	NEW LEASING ACTIVITY (SF)	↑	938,141	593,764	226,426
AVG ASKING RENTAL RATE	↑	\$4.82	\$4.80	\$4.75	AVG ASKING RENTAL RATE	↑	\$5.24	\$5.22	\$5.00
Source: Colliers International									

The industrial sector is critical to maintaining the supply chain, impacting everything from food to pharmaceuticals. Many manufacturing and warehouse/distribution operations were deemed essential businesses and were permitted to stay open.

There was strong new leasing activity in the I-88 Corridor, but that was offset by several vacancies. Due to these several vacancies, the I-88 Corridor had a negative net absorption rate for the first time since 2019. While recent demand has slowed and vacancies will continue to increase due to the economic situation, the I-88 Corridor has historically had a strong industrial footprint and demand should return when the concerns of the pandemic begin to subside.

The Downers Grove industrial sector has not been impacted to the degree that other sectors have by the pandemic. Most of the companies in the Ellsworth Business Park and the Oak Grove Commons Business Park are open. The build out for new tenants at Bridge Point, including Amazon, is proceeding on schedule.

Q1 2020 Net Absorption by Submarket



Source: Colliers International

Office Sector

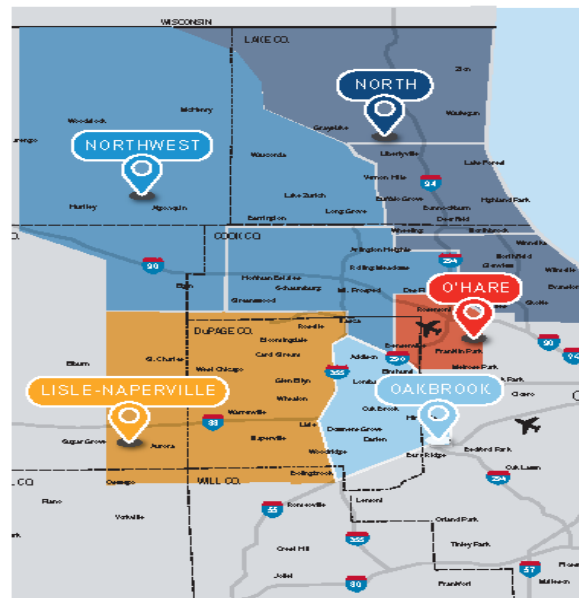
LRP Report #2 Update - None

Chicago Metropolitan Area

The Chicago suburban market for office space is divided into five markets and is tracked on a quarterly basis. The Village of Downers Grove is located in the Oak Brook market.

Office Sectors in the Chicago Metropolitan Area

O'HARE	
Inventory:	132,752,270 SF
Properties:	90
Vacancy:	16.3%
YTD Absorption:	113,354 SF
NORTHWEST	
Inventory:	29,896,913 SF
Properties:	247
Vacancy:	30.7%
YTD Absorption:	134,070 SF
NORTH	
Inventory:	2,706,721 SF
Properties:	283
Vacancy:	20.4%
YTD Absorption:	79,917 SF
LISLE-NAPERVILLE	
Inventory:	15,492,834 SF
Properties:	186
Vacancy:	19.6%
YTD Absorption:	31,818 SF
OAKBROOK	
Inventory:	23,327,581 SF
Properties:	225
Vacancy:	19.5%
YTD Absorption:	205,528 SF



The table below displays the key market indicators for office space, and how the Oak Brook market compared to the Chicago suburban region.

Market Indicators - Chicago Suburbs					Market Indicators - Oak Brook Market				
Market Indicators	Current	1-year	3-year	5-year	Submarket Indicators	Current	1-year	3-year	5-year
CHICAGO SUBURBAN OFFICE	Q1 2020	Q1 2019	Q1 2017	Q1 2015	Oak Brook	Q1 2020	Q1 2019	Q1 2017	Q1 2015
VACANCY RATE	↑ 22.4%	21.6%	21.10	18.8%	VACANCY RATE	↑ 19.5%	16.1%	16.8%	20.3%
NET ABSORPTION (SF)	↓ (404,853)	(684,011)	(275,554)	(171,044)	NET ABSORPTION (SF)	↓ (205,528)	(64,595)	136,372	(102,787)
RENTAL RATES (SF)	↑ \$22.03	\$21.44	\$20.85	\$20.13	RENTAL RATES (SF)	↑ \$22.15	\$21.68	\$20.25	\$19.81
INVENTORY (SF)	◆ 109,058,808	109,058,808	108,897,333	108,746,941	INVENTORY (SF)	◆ 23,327,581	23,432,581	23,292,781	23,292,781

The overall vacancy rate in the suburbs of Chicago had a minor increase of 0.8%, while the Oak Brook market's vacancy rate increased by 3.4%. Four of the five markets in the region have seen an increased vacancy rate since 2019.

In Downers Grove, the office sector is an important part of the local economy, with more than 4 million square feet of occupied Class A tenants. Most of the Class A tenants are in three office parks: Highland Landmark, Esplanade at Locust Point, and The Corridors. Many of these tenants represent corporate and regional headquarters. There is also a large Class B office market, with many of these buildings on 31st Street and Opus Drive.

Demand has slowed for most office space transactions due to the COVID-19 pandemic and it is expected that the businesses close to their natural lease expiration will move ahead with shorter lease terms due to the uncertainty. With health and safety at the forefront of business owners' minds, it is likely office spaces will look at revisiting space programs and consider less dense workplaces to reduce the amount of employees at a single location.