

VILLAGE OF DOWNERS GROVE
Report for the Village Council Meeting
4/7/2020

SUBJECT:	SUBMITTED BY:
COVID-19 Financial Response Plan	David Fieldman Village Manager

SYNOPSIS

Staff prepared a COVID-19 Financial Response Plan for the Village Council's information.

STRATEGIC PLAN ALIGNMENT

The Long Range Plan for 2019-2021 includes the Strategic Goal *Steward of Financial, Environmental and Neighborhood Sustainability*.

FISCAL IMPACT

The COVID-19 Pandemic is significantly negatively impacting the national, regional and local economy. Accordingly, many Village revenue sources will be negatively impacted. At the same time, expenses related to the pandemic are projected to increase.

RECOMMENDATION

N/A

BACKGROUND

The COVID-19 Pandemic is significantly negatively impacting the national, regional and local economy. Accordingly, many Village revenue sources will be negatively impacted. At the same time, expenses related to the pandemic are projected to increase.

Goals and Objectives

The goal of the plan is to be a sustainable and resilient Village government. The objectives of the plan are:

- Provide Essential Services During the Crisis & Throughout 2020
- Provide Essential Services in 2021 and Beyond
- Be Financially Prepared to Respond to a Future Emergency
- Use a Multiple Fund Response
- Maintain Robust Health and Risk Funds
- Align Response with the Timing & Magnitude of the Issue
- Respond in a Manner Consistent with State & Federal Responses
- Maintain 50% of the General Fund Reserves in 2020

Challenges

The COVID-19 Pandemic presents several significant challenges. 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. Based on information available now, the magnitude of the potential decline in Village revenues could be overwhelming.

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.

There is also uncertainty about financial assistance available to municipalities from the Federal and State governments. It is important to note that financial assistance is not guaranteed for municipalities with populations less than 500,000.

Quantifying the Issue

The General Fund is supported by a wide mix of revenue sources. Total revenue for 2020 is budgeted to be just under \$50 million. Over half of the General Fund revenues are greatly influenced by economic activity. Over \$27 million of the budgeted revenue comes from Sales Taxes, Food & Beverage Taxes, Income Taxes and Building Permit Fees. The current economic downturn is expected to substantially reduce these revenues.

About 82% of total expenses are used to operate the Police, Fire and Public Works Departments. These departments provide most of the services considered to be essential including public safety, emergency storm response and snow and ice control.

The General Fund maintains the recommended level of reserves equal to 40% of expenses, approximately \$20 million. A significant decline in the economically sensitive revenues while maintaining essential services could put a large strain on the General Fund, even as reserves are used to cover the revenue decline.

Staff used a range of revenue projections in the preparation of this financial response plan. The most conservative revenue projections show most revenue sources declining by 50% or more and property taxes declining by 25%. The most conservative revenue declines can be described as catastrophic and unprecedented. Applying the most conservative revenue projections, total General Fund revenues would decline by about 42% in 2020 and would result in a \$20.7 million financial gap.

Staff hopes that these projections are too conservative and that the Village will not experience this level of crisis. However, if the current economic conditions persist, these revenue declines are possible. Therefore, it is imperative that the Village exercise exceptional financial stewardship by preparing for an extended economic downturn.

Strategies and Actions

The plan calls for a multi-tiered approach which allows the Village to scale the financial response as the situation unfolds. Nearly \$21 million is available in this tiered response plan. While the tiers appear in order of planned use, financial conditions may prompt the Village to use a mix of all of the tiers to respond to the crisis.

Strategies & Actions COVID-19 Financial Response

Tier 1	Seek Federal & State Assistance, If Available	\$TBD	In Progress
Tier 2	Reduce General Fund Expenses & Defer Equipment Replacement	\$1,825,000	In Place
Tier 3	Defer Projects in Capital & Major Buildings Funds and Transfer Money to General Fund	\$6,500,000	Temporary Suspension In Place
Tier 4	Use Asset Forfeiture Funds for Police Expenses	\$2,400,000	Funds Available
	Use General Fund Reserves	\$10,000,000	Funds Available
Total		\$20,725,000	

Tier 1 - Amount TBD

The Village will seek reimbursement and financial assistance from the Federal and State governments using all legislation and programs available to us. It is important to note that the funding for local governments in the Federal Stimulus package does not provide for guaranteed direct funding to municipalities with populations less than 500,000. This means that the Village of Downers Grove is not guaranteed to receive financial support. Staff will vigorously pursue such funding. However, at this point the response plan does not count on receiving funds in this category.

Tier 2 - \$1,825,000

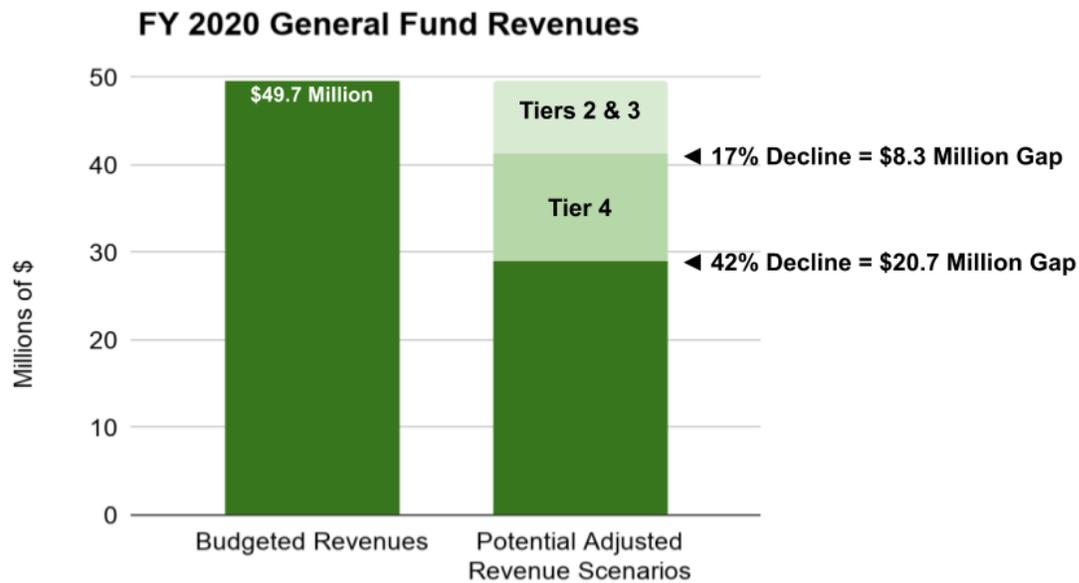
Tier 2 includes over \$1.8 million in expense reductions by implementing a hiring freeze, eliminating all but the most essential purchases of supplies, equipment and vehicles and eliminating staff travel and training and educational reimbursement.

Tier 3 - \$6,500,000

Tier 3 includes deferring the construction of capital projects in the Capital and Major Buildings funds and transferring the funds on hand intended to pay for these projects to the General Fund to help cover operational expenses. About \$6.5 million could be transferred into the General Fund with this approach. Capital projects in these two funds were suspended a few weeks ago and will continue to be suspended until revenues return to originally budgeted performance levels.

Tier 4 - \$12,400,000

Tier 4 includes using money from the Asset Forfeiture Fund and up to half of the General Fund reserves. Approximately \$12.4 million is available in this tier. The Village is positioned to implement Tier 4 actions immediately, should circumstances dictate.



Monitoring the performance of all Village revenues is key to the successful implementation of this plan. During the next three weeks, the Village will receive information about five key revenue sources budgeted to generate \$1.68 million.

Source	Key Date	Budgeted Amount	Key Question
January Sales Tax	April 15	\$815,000	Will the State Remit the Full Amount on Time?
January HRST	April 15	\$505,000	Will the State Remit the Full Amount on Time?
March Food & Bev	April 25	\$165,000	How Will the Limited Operations Affect Revenue?
March Hotel Tax	April 30	\$75,000	How Will Decline in Hotel Stays Affect Revenue?
April Building Permits	April 30	\$120,000	How Will Economy Affect Construction Activity?

Date	Information Available
May 1	<ul style="list-style-type: none"> ● Deadline for Stay at Home Order ● System for Distributing Federal Assistance ● January Sales Tax Revenues ● March Food & Bev and Hotel Tax Revenues ● April Income Tax Revenues ● April Building Permit Activity

June 1	<ul style="list-style-type: none"> ● February Sales Tax Revenues ● April Food & Bev Tax and Hotel Tax Revenues ● May Income Tax Revenues ● May Building Permit Activity
July 1	<ul style="list-style-type: none"> ● Property Tax Revenue (1st Installment) ● March Sales Tax Revenues ● May Food & Bev Tax and Hotel Tax Revenues ● June Income Tax Revenues ● June Building Permit Activity

Deciding when to implement the actions in the tiers and to what extent will be challenging given the significant delay in receiving information about revenue performance. Decisions about all potential action steps will take place throughout the balance of the year. Every attempt will be made to align the responsive action steps with the duration and magnitude of the crisis. On or around the first day of each of the next three months, decisions about the implementation of the financial response plan will be made.

The revenue decline included in the financial plan is conservative and the tiered approach allows the Village to align the response with the magnitude issue. However, it is conceivable that the financial conditions may prompt the Village to take actions beyond those included in the four tiers. In this event, the Village could:

- Use reserves in the Enterprise Funds (Water and Parking Funds). Capital projects in these funds have been suspended to preserve available cash
- Consider the early retirement of the Ogden Avenue tax increment financing district and use disbursement funds for general operations
- Consider steps which would reduce personnel expenses

Results

The plan is intended to address a General Fund financial gap of up to \$20.7 million by using multiple funds. If all tiers of the plan are used, the fund balances in several funds would be affected and the number of capital projects constructed in 2020 would be significantly reduced.

Fund	2020 Projected Ending Fund Balance	Budgeted Ending Fund Balance	Change
General	\$10.6	\$20.6	(\$10.0)
Capital Projects	\$0.4*	\$4.1	(\$3.7)
Major Buildings	\$0.6	\$1.4	(\$0.8)
Asset Forfeiture	\$--	\$2.1	(\$2.1)

Capital Projects to be Constructed

- Traffic Signal at 63rd & Springside (County is Lead Agency)
- Traffic Signal Replacement at Finley north of Butterfield (In Progress)
- Sidewalk Restoration and Repair
- Fairview Station Parking Lot and Light Replacement (In Progress)
- Indianapolis Drainage Improvements (In Progress)
- Fire Station #5 Garage Door Replacement
- Parking Deck Maintenance
- SCADA Maintenance
- Essential Watermain Replacements (55th St, Other Locations TBD)
- Downtown Crosswalk Replacement (Grant Funded)
- Stormwater Projects (Funded by Bond Proceeds)

Next Steps

The next steps in the financial response include:

- Continue to Monitor All Village Revenues
- Continue to Seek Assistance from State and Federal Governments, If Available (Tier 1)
- Continue to Reduce General Fund Expenses (Tier 2)
- Continue with Suspension of Capital Projects (Tier 3)
- Prepare for Use of Tier 4
- Report to Village Council and Public Frequently

ATTACHMENTS

- Updated FY20 Fund Summaries for:
 - General Fund
 - Motor Fuel Tax Fund
 - Asset Forfeiture Fund
 - Capital Projects Fund
 - Major Buildings Fund
 - Equipment Replacement Fund

GENERAL FUND

	FY2018 Actual	FY2019 Budget	FY2019 Actual	2020 Adopted	2020 Adjusted	FY2021 Projection	
1							
2	Beginning Fund Balance	18,895,218	18,972,417	18,972,417	20,585,979	20,585,979	10,618,423
3	Revenues						
4	Local Taxes	22,567,918	22,909,501	23,021,856	23,670,940	15,449,455	TBD
5	License & Permit Revenues	2,399,067	1,867,700	1,780,321	1,797,700	798,850	
6	Intergovernmental Revenues	18,058,753	17,970,500	18,781,394	18,310,500	9,155,250	
7	Sales	-	-	-	-	-	
8	Fees, Charges & Fines	5,540,407	5,172,910	5,185,329	5,560,463	3,425,059	
9	Grants	74,450	30,000	109,512	30,000	15,000	
10	Interest & Claims	451,512	280,000	513,772	300,000	100,000	
11	Contributions	50	-	-	-	-	
12	Other Financial Resources	(78,668)	-	198,293	-	8,900,000	
13	Total Revenue	49,013,489	48,230,611	49,590,477	49,669,603	37,843,614	0
14	Expenses						
15	Personnel	36,457,583	36,532,983	36,515,047	38,213,526	37,907,277	TBD
16	Supplies	1,214,781	1,055,212	1,136,903	862,185	1,007,966	
17	Professional Services	2,365,475	2,858,416	2,522,658	2,912,587	2,563,340	
18	Other Contractual Services	1,454,636	1,711,292	1,598,543	1,919,834	1,644,604	
19	Claims, Grants, & Debt	6,575,635	5,902,203	6,041,597	5,570,838	4,575,533	
20	Controlled Assets	68,180	109,876	162,167	158,200	112,450	
21	Capital Assets	-	40,400	-	-	-	
22	Other Financial Uses	800,000	-	-	-	-	
23	Total Expenses	48,936,290	48,210,382	47,976,915	49,637,170	47,811,170	0
24	Net Change	77,199	20,229	1,613,562	32,433	(9,967,556)	0
25	Ending Fund Balance	18,972,417	18,992,646	20,585,979	20,618,412	10,618,423	10,618,423

Assumptions

- Revenue sources assumed to experience declines of greater than 50%: building permit fees (row 5), plan review fees (row 8), interest income (row 10)
- Revenue sources assumed to experience a decline of 50%: sales tax (row 6), home rule sales tax (row 4), food & beverage tax (row 4), hotel tax, telecommunications tax (row 4), electricity tax (row 4), income tax (row 6), local use tax (row 6), fines (row 6), cable franchise fees (row 8)
- Revenue sources assumed to experience a decline of 25%: property tax (row 4), ambulance fees (row 8)

Strategies/Actions

- Tier 1: Reduce General Fund expenses \$1.2 million
- Tier 2: Reduce transfer to Equipment Replacement Fund by \$626,100 (row 19)
- Tier 3: Receive transfer of \$3.5 million from Capital Projects Fund (row 12)
- Tier 3: Receive transfer of \$3.0 million from Major Buildings Fund (row 12)
- Tier 4: Receive transfer of \$2.4 million from Asset Forfeiture Fund (row 12)
- Tier 4: Use up to \$10.0 million in reserves in FY2020 (row 24)
- Maintain 50% of General Fund reserves in FY2020 (row 25)

MOTOR FUEL TAX FUND

1	FY2018 Actual	FY2019 Budget	FY2019 Actual	2020 Adopted	2020 Adjusted	FY2021 Projection
2 Beginning Fund Balance	641,524	606,832	606,832	930,658	930,658	1,380,658
3 Revenue						
4 Local Taxes	-	-	-	-	-	TBD
5 License & Permit Revenues	-	-	-	-	-	
6 Intergovernmental Revenues	1,250,784	1,200,000	1,603,126	1,500,000	750,000	
7 Sales	-	-	-	-	-	
8 Fees, Charges & Fines	-	-	-	-	-	
9 Grants	-	-	-	-	-	
10 Interest & Claims	14,524	5,000	20,700	5,000	-	
11 Contributions	-	-	-	-	-	
12 Other Financial Resources	-	-	-	-	-	
13 Total Revenue	1,265,308	1,205,000	1,623,826	1,505,000	750,000	0
14 Expenses						
15 Personnel	-	-	-	-	-	TBD
16 Supplies	-	-	-	300,000	300,000	
17 Professional Services	-	-	-	-	-	
18 Other Contractual Services	-	-	-	-	-	
19 Claims, Grants, & Debt	-	-	-	-	-	
20 Controlled Assets	1,300,000	1,300,000	1,300,000	1,300,000	-	
21 Capital Assets	-	-	-	-	-	
22 Other Financial Uses	-	-	-	-	-	
23 Total Expenses	1,300,000	1,300,000	1,300,000	1,600,000	300,000	0
24 Net Change	(34,692)	(95,000)	323,826	(95,000)	450,000	0
25 Ending Fund Balance	606,832	511,832	930,658	835,658	1,380,658	1,380,658

Assumptions

- Revenue sources assumed to experience a decline of 50%: motor fuel tax (row 6)

Strategies

- Suspend road improvement projects for FY2020 (row 20)

ASSET FORFEITURE FUND

1	FY2018 Actual	FY2019 Budget	FY2019 Actual	2020 Adopted	2020 Adjusted	FY2021 Projection
2	Beginning Fund Balance	2,063,913	2,399,511	2,399,511	2,497,462	2,698
3	Revenue					
4	Local Taxes	-	-	-	-	TBD
5	License & Permit Revenues	-	-	-	-	
6	Intergovernmental Revenues	-	-	-	-	
7	Sales	-	-	-	-	
8	Fees, Charges & Fines	466,231	-	340,528	-	30,000
9	Grants	-	-	-	-	
10	Interest & Claims	19,320	-	22,557	-	
11	Contributions	-	-	-	-	
12	Other Financial Resources	-	-	-	-	
13	Total Revenue	485,551	0	363,085	0	30,000
14	Expenses					
15	Personnel	-	-	-	-	TBD
16	Supplies	31,802	-	27,960	-	
17	Professional Services	43,069	100,000	90,429	125,000	
18	Other Contractual Services	3,738	-	-	-	
19	Claims, Grants, & Debt	-	-	-	-	
20	Controlled Assets	71,344	100,000	146,745	125,000	73,992
21	Capital Assets	-	-	-	55,000	50,772
22	Other Financial Uses	-	-	-	-	2,400,000
23	Total Expenses	149,953	200,000	265,134	305,000	2,524,764
24	Net Change	335,598	(200,000)	97,951	(305,000)	(2,494,764)
25	Ending Fund Balance	2,399,511	2,199,511	2,497,462	2,192,462	2,698

Assumptions

- \$30,000 in revenue is expected to be collected in FY2020 (row 8)

Strategies

- Tier 4: Transfer \$2.4 million to the General Fund (row 22)

CAPITAL PROJECTS FUND

1	FY2018 Actual	FY2019 Budget	FY2019 Actual	2020 Adopted	2020 Adjusted	FY2021 Projection	
2	Beginning Fund Balance	4,841,958	5,228,788	5,228,788	6,229,373	6,229,373	2,363,884
3	Revenue						
4	Local Taxes	7,142,193	7,281,524	7,084,454	6,926,524	3,706,143	TBD
5	License & Permit Revenues	-	-	-	-	-	
6	Intergovernmental Revenues	-	-	-	-	-	
7	Sales	-	-	-	-	-	
8	Fees, Charges & Fines	-	-	-	-	-	
9	Grants	-	25,000	-	190,000	190,000	
10	Interest & Claims	93,455	10,000	119,539	10,000	-	
11	Contributions	53,404	30,000	35,760	30,000	-	
12	Other Financial Resources	(34,498)	-	64,526	-	-	
13	Total Revenue	7,254,554	7,346,524	7,304,279	7,156,524	3,896,143	0
14	Expenses						
15	Personnel	400,382	416,185	416,808	395,753	391,343	TBD
16	Supplies	16,020	52,250	19,635	52,100	51,760	
17	Professional Services	175,836	114,070	156,842	198,570	9,578	
18	Other Contractual Services	165,620	171,866	169,097	139,400	-	
19	Claims, Grants, & Debt	51,936	47,736	47,736	49,029	49,029	
20	Controlled Assets	2,761,078	3,623,134	2,673,159	2,675,600	578,000	
21	Capital Assets	1,087,133	1,811,500	409,519	3,366,250	773,178	
22	Other Financial Uses	2,209,719	2,410,894	2,410,898	2,408,744	5,908,744	
23	Total Expenses	6,867,724	8,647,635	6,303,694	9,285,446	7,761,632	0
24	Net Change	386,830	(1,301,111)	1,000,585	(2,128,922)	(3,865,489)	0
25	Ending Fund Balance	5,228,788	3,927,677	6,229,373	4,100,451	2,363,884	2,363,884

Assumptions

- Revenue sources assumed to experience a decline of 50%: home rule sales tax and telecommunications tax (row 4)
- Revenue sources assumed to experience a decline of 25%: property tax (row 4)

Strategies

- Reduce or eliminate \$5.0 million of budgeted capital projects in FY2020 (rows 17,18,20,21)
- Tier 3: Transfer \$3.5 million to the General Fund (row 22)

MAJOR BUILDINGS FUND

1	FY2018 Actual	FY2019 Budget	FY2019 Actual	2020 Adopted	2020 Adjusted	FY2021 Projection
2 Beginning Fund Balance	1,767,947	2,671,491	2,671,491	3,158,715	3,158,715	631,815
3 Revenue						
4 Local Taxes	205,121	200,000	204,169	200,000	100,000	TBD
5 License & Permit Revenues	-	-	-	-	-	
6 Intergovernmental Revenues	-	-	-	-	-	
7 Sales	-	-	-	-	-	
8 Fees, Charges & Fines	-	-	-	-	-	
9 Grants	-	-	50,000	-	-	
10 Interest & Claims	29,483	-	32,253	20,000	-	
11 Contributions	-	-	-	-	-	
12 Other Financial Resources	800,000	500,000	744,799	500,000	500,000	
13 Total Revenue	1,034,604	700,000	1,031,221	720,000	600,000	0
14 Expenses						
15 Personnel	-	-	-	-	-	TBD
16 Supplies	-	-	-	-	-	
17 Professional Services	1,537	-	1,500	-	-	
18 Other Contractual Services	-	-	-	-	-	
19 Claims, Grants, & Debt	-	-	-	-	-	
20 Controlled Assets	129,523	380,000	135,378	270,000	46,900	
21 Capital Assets	-	230,000	407,119	2,240,000	80,000	
22 Other Financial Uses	-	-	-	-	3,000,000	
23 Total Expenses	131,060	610,000	543,997	2,510,000	3,126,900	0
24 Net Change	903,544	90,000	487,224	(1,790,000)	(2,526,900)	0
25 Ending Fund Balance	2,671,491	2,761,491	3,158,715	1,368,715	631,815	631,815

Assumptions

- Revenue sources assumed to experience a decline of 50%: gasoline tax (row 4)

Strategies

- Reduce or eliminate \$2.4 million of Major Buildings Fund projects in FY2020 (rows 20/21)
- Tier 3: Transfer \$3.0 million to the General Fund (row 22)

EQUIPMENT REPLACEMENT FUND

1	FY2018 Actual	FY2019 Budget	FY2019 Actual	2020 Adopted	2020 Adjusted	FY2021 Projection
2	Beginning Cash Balance	1,976,893	2,141,768	2,141,768	2,118,391	1,469,909
3	Revenue					
4	Local Taxes	-	-	-	-	TBD
5	License & Permit Revenues	-	-	-	-	
6	Intergovernmental Revenues	-	-	-	-	
7	Sales	-	-	-	-	
8	Fees, Charges & Fines	1,429,605	1,499,815	1,628,196	1,530,218	904,118
9	Grants	-	-	-	-	-
10	Interest & Claims	24,717	200	40,928	200	200
11	Contributions	-	-	-	-	-
12	Other Financial Resources	118,129	29,000	51,664	29,000	29,000
13	Total Revenue	1,572,451	1,529,015	1,720,788	1,559,418	933,318
14	Expenses					
15	Personnel	-	-	-	-	TBD
16	Supplies	-	-	-	-	-
17	Professional Services	-	-	-	-	-
18	Other Contractual Services	-	-	-	-	-
19	Claims, Grants, & Debt	-	-	-	-	-
20	Controlled Assets	447,564	273,250	193,208	331,900	161,800
21	Capital Assets	1,063,019	1,742,250	1,085,964	1,876,000	1,420,000
22	Other Financial Uses	-	-	-	-	-
23	Total Expenses	1,510,583	2,015,500	1,279,172	2,207,900	1,581,800
24	Net Change		(486,485)		(648,482)	(648,482)
25	Ending Cash Balance	2,141,768	1,655,283	2,118,391	1,469,909	1,469,909

Assumptions

- N/A

Strategies

- Tier 2: Reduce transfer from General Fund by \$626,100
- Reduce or eliminate \$626,100 of replacement purchases in FY2020 (rows 20/21)