

6/16/2020

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

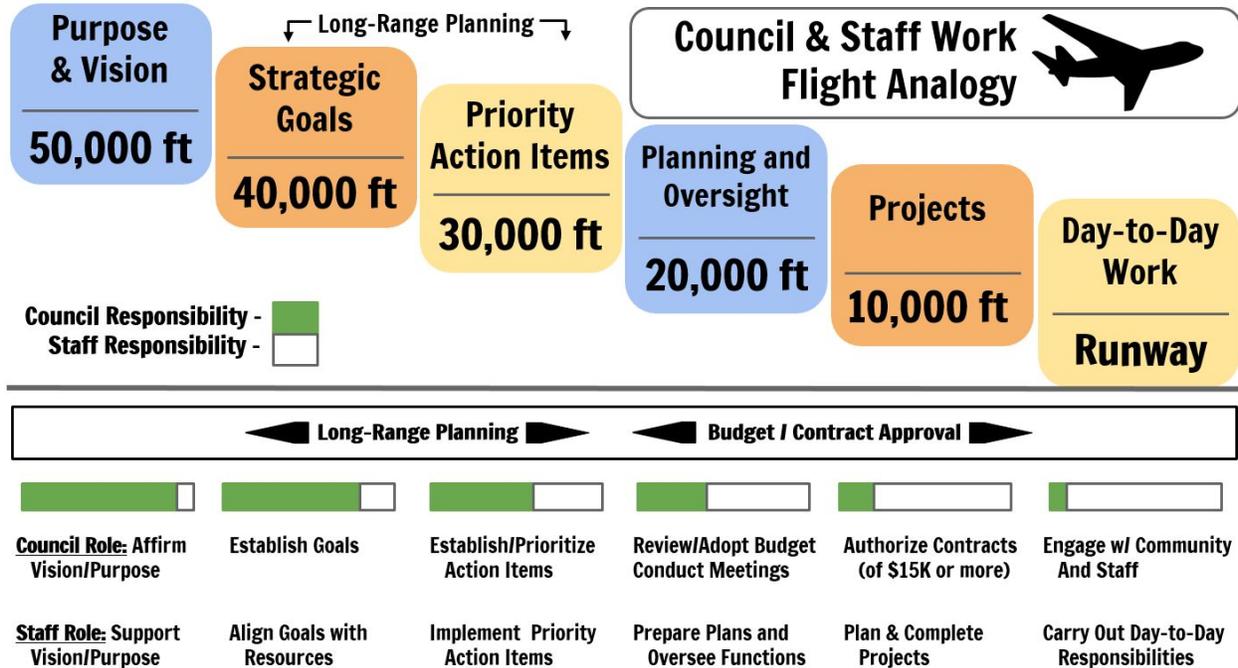
The COVID-19 pandemic has dramatically impacted the Village's finances and operations. These impacts are likely to continue well into 2021. While the LRP update will include many traditional aspects, the process will focus on developing strategies to achieve financial sustainability during the pandemic 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	<ul style="list-style-type: none">● Introduction and Overview● Strategic Goals● Village Budget Overview● Local Economic Conditions
July 14	<ul style="list-style-type: none">● Key Issues
July 21	<ul style="list-style-type: none">● Discussion of Strategies & Solutions
August 4	<ul style="list-style-type: none">● Completion of Strategies & Solutions
August 11	<ul style="list-style-type: none">● 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	<ul style="list-style-type: none"> ● Sales Tax ● Property Tax ● State Income Tax ● Utility Taxes ● Food & Beverage Tax ● Home Rule Sales Tax ● Ambulance Fees ● Local Use Tax ● Building Permit Fees 	<ul style="list-style-type: none"> ● Home Rule Sales Tax ● Property Tax ● Telecom Tax 	<ul style="list-style-type: none"> ● Local Gasoline Tax ● Contributions from the Capital Fund

Major Expense Categories	<ul style="list-style-type: none"> • Personnel Expenses (77% of Total) • Police Department • Fire Department • Public Works • Community Development 	<ul style="list-style-type: none"> • Streets • Sidewalks • Forestry 	<ul style="list-style-type: none"> • 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.

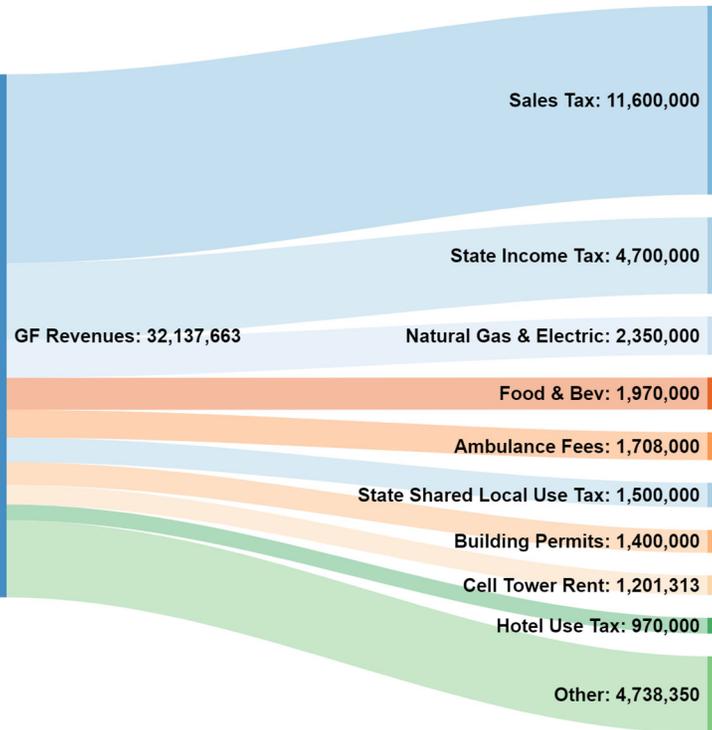
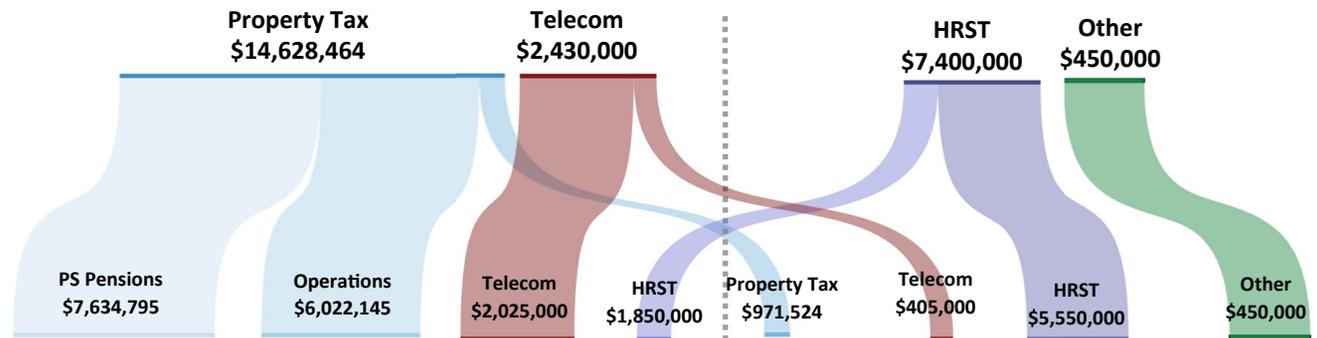
The Plan also calls for the use of up to half of the General Fund reserves, about \$10 million.

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.

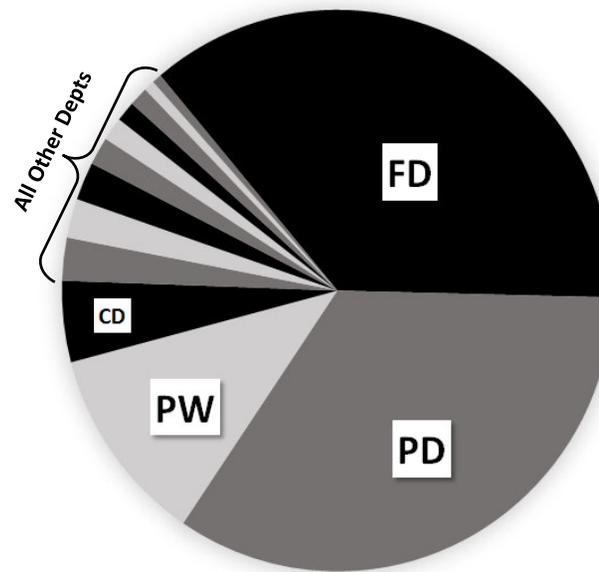
FY20 Budgeted Revenues and Expenses

General Fund and Capital / Major Buildings Fund

FY20 Budgeted Revenues

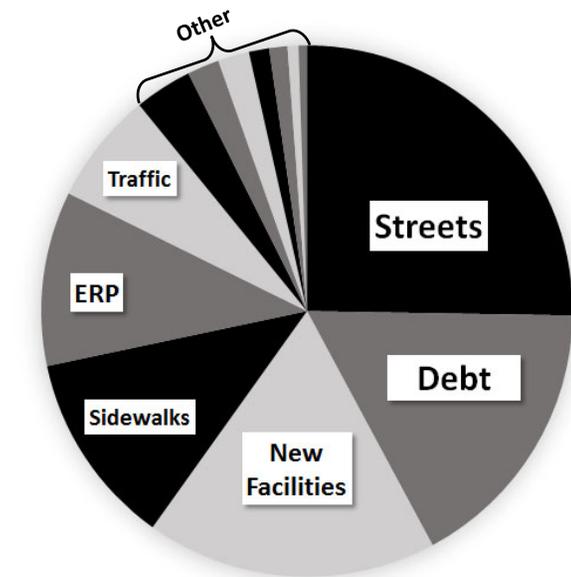


General Fund



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

Appendix - Report #1

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.

Employment

Downers Grove

Downers Grove is beginning to see the initial significant impacts on employment caused by the COVID-19 pandemic. In April, the unemployment rate in the Village of Downers Grove rose to 13.1%, a 9.9% increase from March. Downers Grove is not alone in feeling this impact, municipalities of comparable sized communities and labor forces are facing an increase of 8.9% to 13.8% in unemployment rates from March 2020 to April 2020.

	February			March			April			% Change from March
	Labor Force	Un-employed	Rate	Labor Force	Un-employed	Rate	Labor Force	Un-employed	Rate	
Elmhurst	23,203	544	2.3	23,530	772	3.3	21,773	2,654	12.2	8.9
Wheaton	28,198	608	2.2	28,602	892	3.1	26,631	3,351	12.6	9.5
Downers Grove	26,737	572	2.1	27,146	867	3.2	25,393	3,316	13.1	9.9
Glen Ellyn	13,873	313	2.3	14,074	455	3.2	13,159	1,718	13.1	9.9
Woodridge	19,933	508	2.5	20,218	709	3.5	19,368	2,978	15.4	11.9
Mount Prospect	28,798	667	2.3	29,209	947	3.2	27,980	4,246	15.2	12.0
Lombard	25,120	640	2.5	25,513	927	3.6	24,544	3,889	15.8	12.2
Hoffman Estates	29,134	754	2.6	29,606	1,094	3.7	28,623	4,679	16.3	12.6
Carol Stream	23,147	599	2.6	23,479	833	3.5	22,711	3,686	16.2	12.7
Elk Grove	18,475	508	2.7	18,798	747	4.0	18,293	3,134	17.1	13.1
Des Plaines	32,329	1,016	3.1	32,904	1,445	4.4	32,286	5,867	18.2	13.8

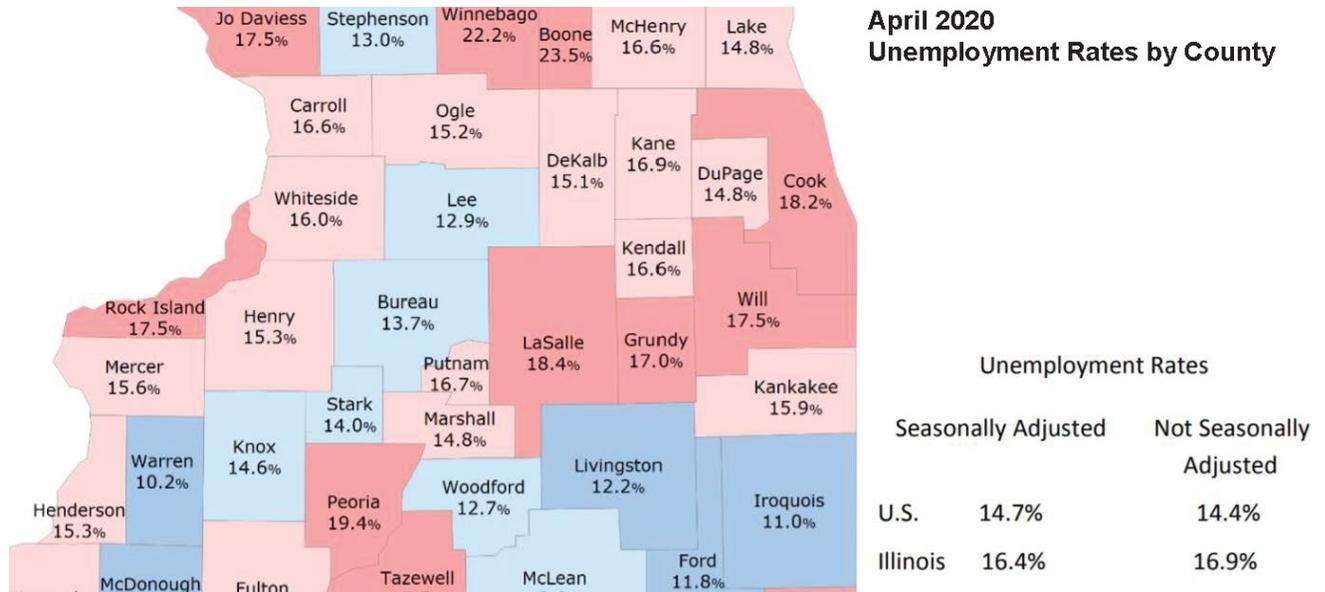
DuPage County and Illinois

The unemployment rate across Illinois increased from 4.2% in March to 16.4% in April, which is a record high since current tracking methods were enacted in 1976. The three-month average Illinois payroll employment estimate was down -278,200 jobs from February-April of this year compared to January-March. The largest average declines were found in:

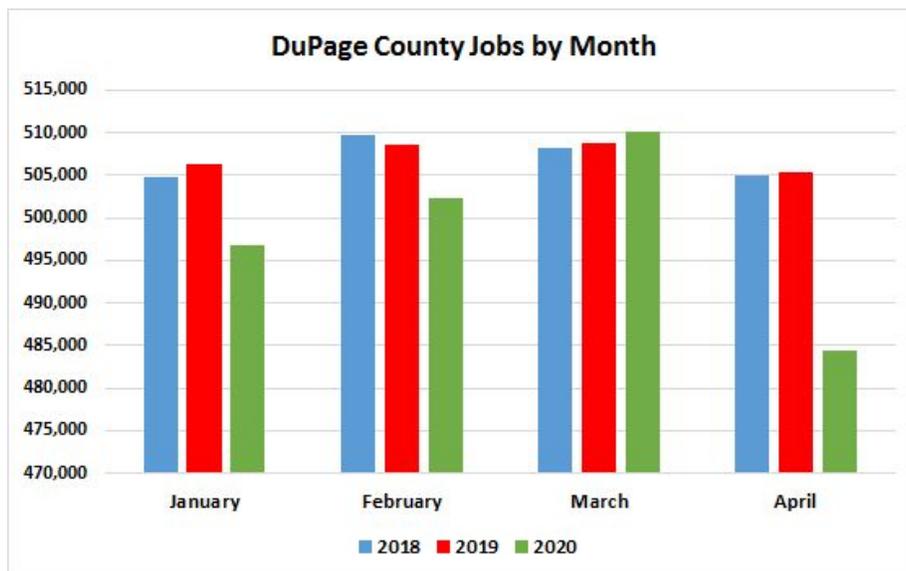
- Leisure and Hospitality (-107,800)
- Trade, Transportation and Utilities (-37,700)
- Professional and Business Services (-36,800)

In March, counties in proximity to Cook County experienced an acute negative impact on unemployment. Cook, DuPage, Grundy, Kendall, McHenry and Will were the only counties in Illinois to experience higher unemployment rates in March 2020 compared to March 2019.

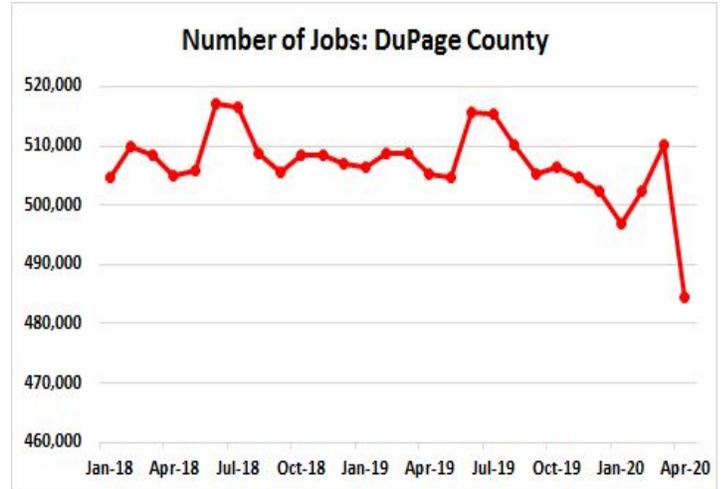
In April, the impacts on unemployment could be seen across every county in Illinois as each county experienced an unemployment rate increase ranging from 5.3% to 23% in April 2020 compared to April 2019.



Another area of employment impacted by the COVID-19 pandemic is the number of active jobs in the economy, which is tracked by the state at the county level.



Below is a comparison of the number of active jobs in the Chicago Metropolitan area and DuPage County. While the number of jobs vary widely between the two locations, the relative impact for the Chicago Metropolitan area and DuPage County has historically been similar, which shows the correlation between the Metro and County job market.



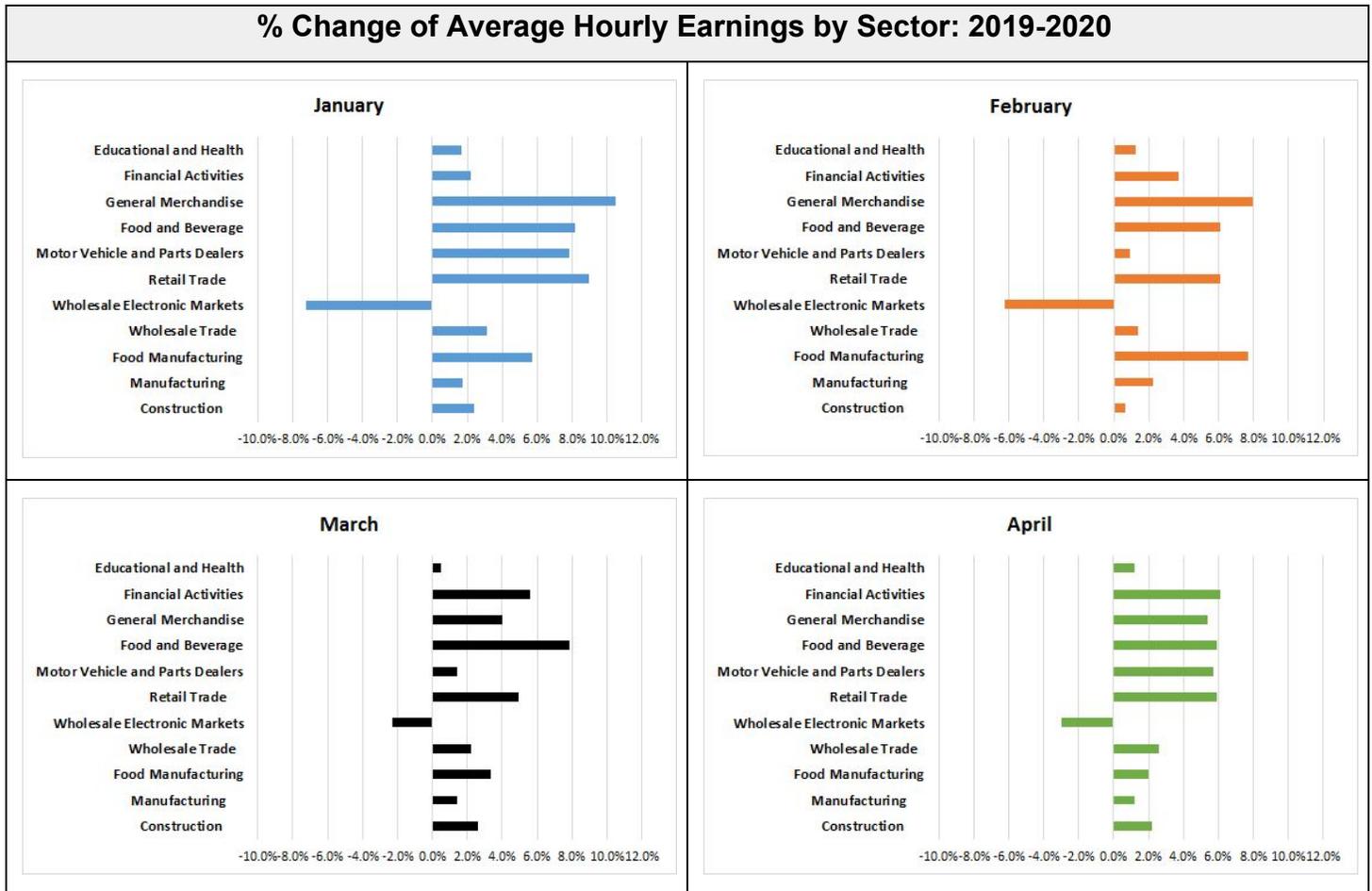
While it is difficult to forecast the lasting effects of the pandemic, it is clear the impacts will continue to negatively impact employment and job opportunities.

Income

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.

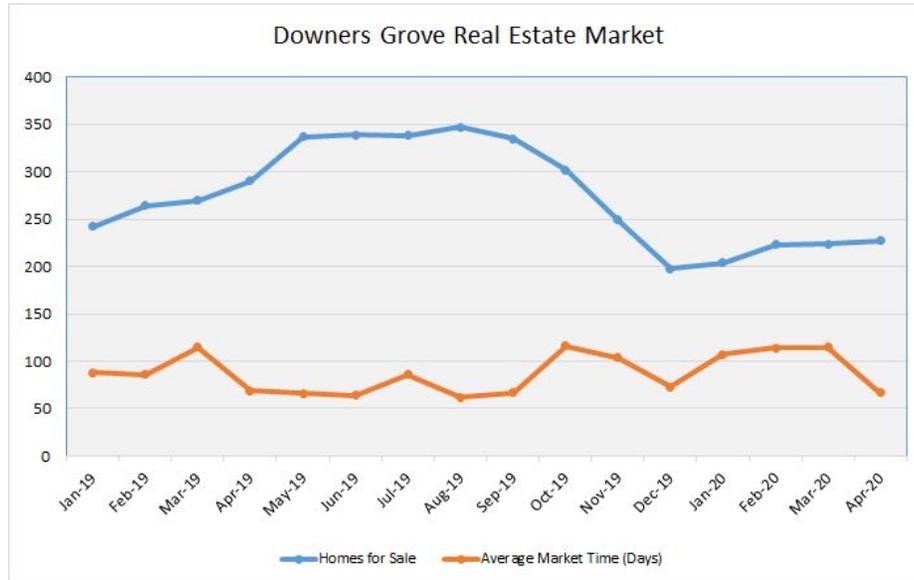
Illinois



Property Values and Real Estate Market

Downers Grove

In 2020 The real estate market in Downers Grove has continued to be active from the start of year through April 2020, but there were some recent signs of slowing down. The number of homes on the market and the average market time for homes have declined slightly in comparison to 2019.



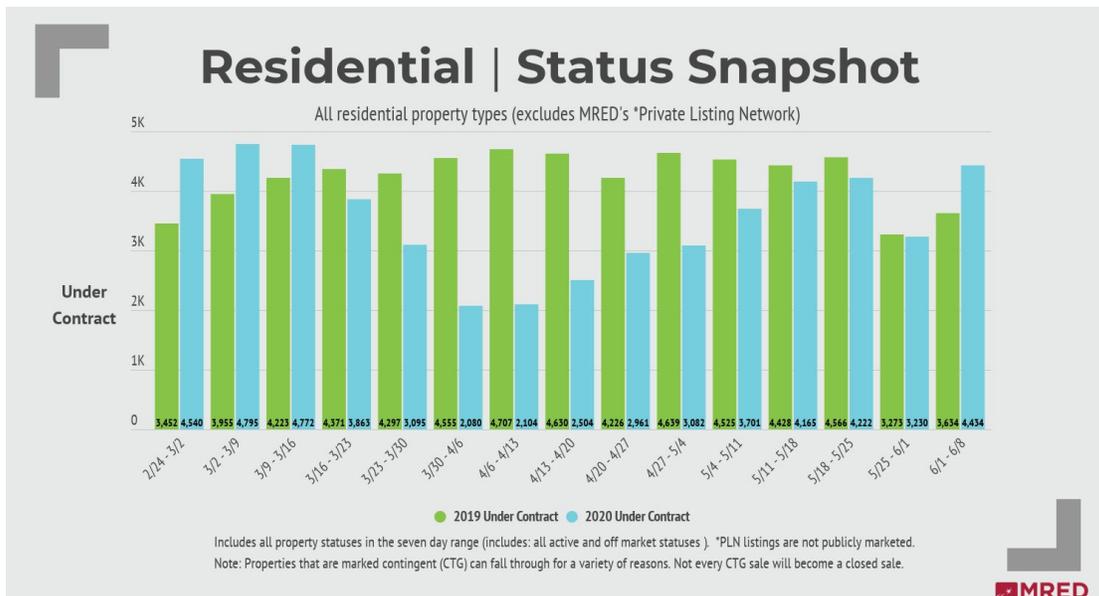
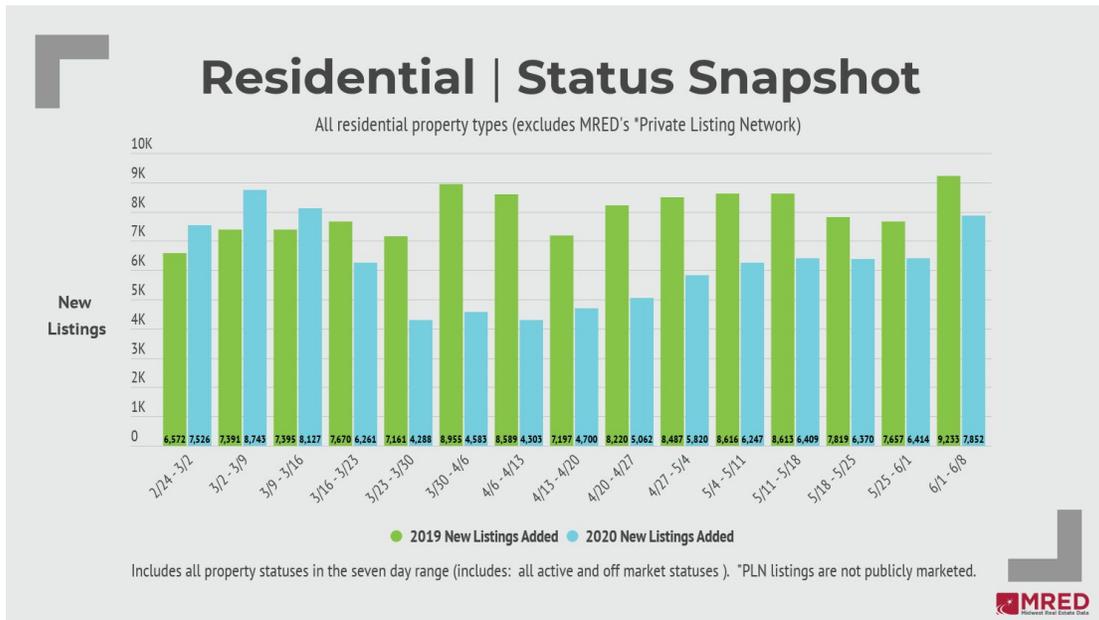
There has been a significant drop in the number of new listings and houses under contract in April 2020 from April 2019. The number of closed sales saw a moderate increase in that same time period, the price of a single family home saw a slight increase in median sales price and a slight decrease in average sales price.

Downers Grove Single Family Homes	Monthly			Trailing 12 months		
	April 2019	April 2020	+ / -	April 18-19	April 19-20	+ / -
New Listings	167	84	- 49.7%	1,418	1,389	- 2.0%
Under Contract	69	42	- 39.1%	617	608	- 1.5%
Closed Sales	62	72	+ 16.1%	615	646	+ 5.0%
Median Sales Price	\$372,250	\$377,500	+ 1.4%	\$380,000	\$371,750	- 2.2%
Avg Sales Price	\$440,983	\$430,960	- 2.3%	\$441,142	\$436,627	- 1.0%

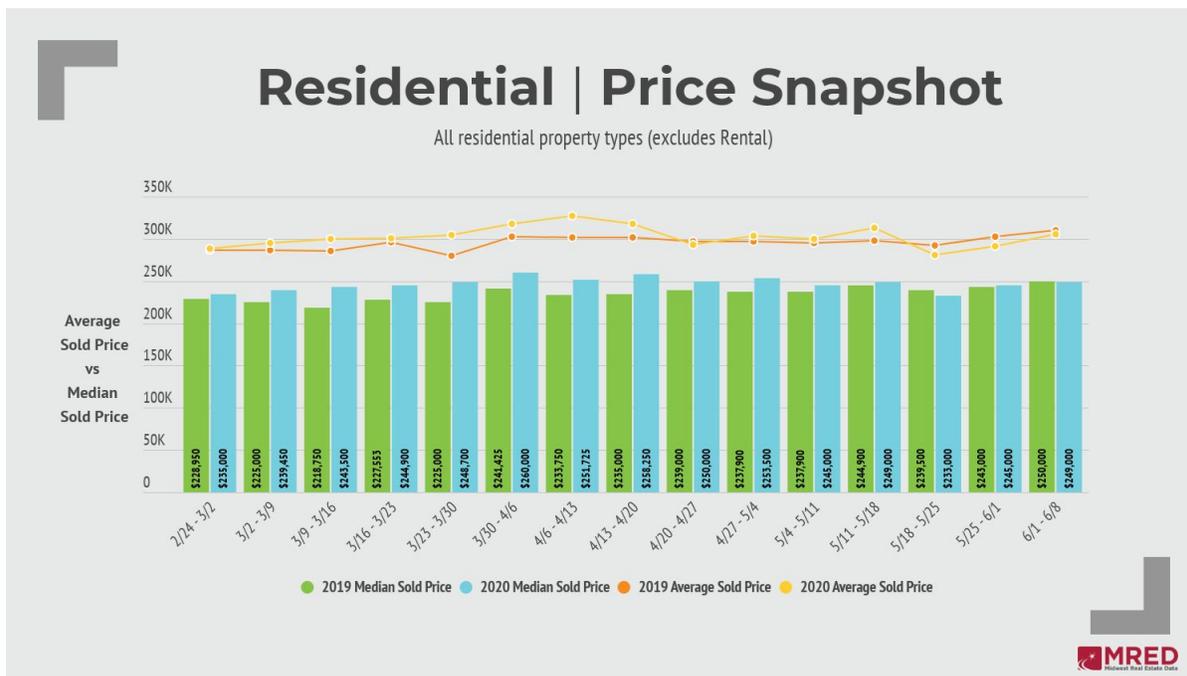
Northern Illinois, southern Wisconsin, northwest Indiana

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 and houses under contract starting in March and continuing through April. The data shows that the number of new listings increased at the start of May, stabilized through the month, and increased in June. More houses were under contract in the first week of June 2020 than the first week of June 2019, which is the first week that has occurred since the start of the stay-at-home order in Illinois.



Similar to Downers Grove, the median sales price and average sales price of residential properties in the region has been stable.



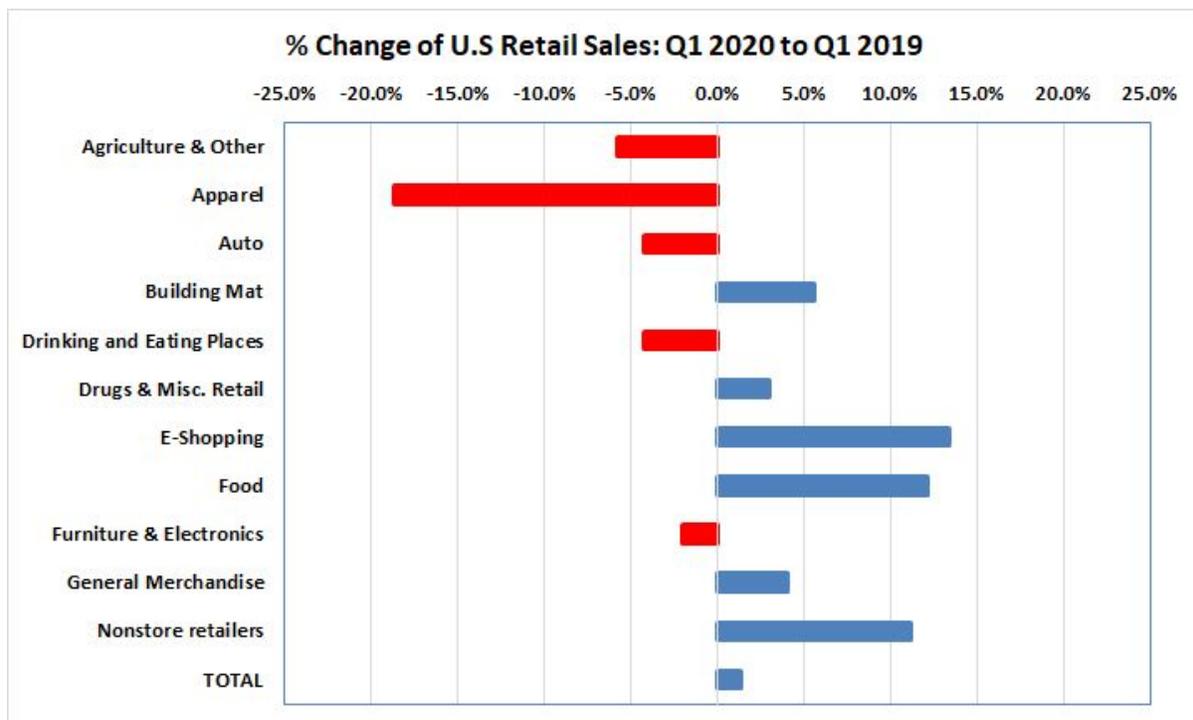
Retail Sector

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

Chicago Metropolitan Area

The majority of consumers were not 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 21.2% during the first four months of 2020 compared to the same period in 2019. In April 2020, new vehicle registrations declined 68.1% compared to April 2019.

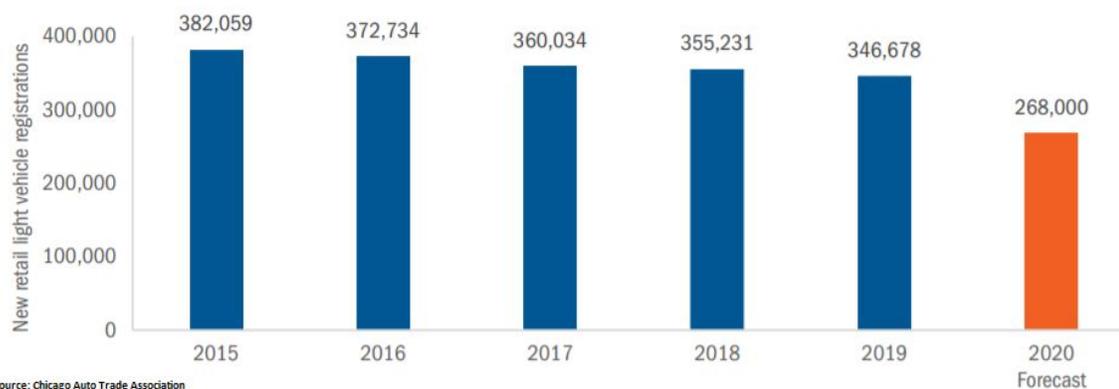
Chicago Area New Retail Light Vehicle Registrations

	Light Trucks	Cars	TOTAL
YTD '19 thru April	70,724	29,788	100,512
YTD '20 thru April	58,601	20,558	79,159
% change	-17.1%	-31.0%	-21.2%
April, 2019	20,202	9,382	29,584
April, 2020	6,771	2,678	9,449
% change	-66.5%	-71.5%	-68.1%

Source: Chicago Auto Trade Association

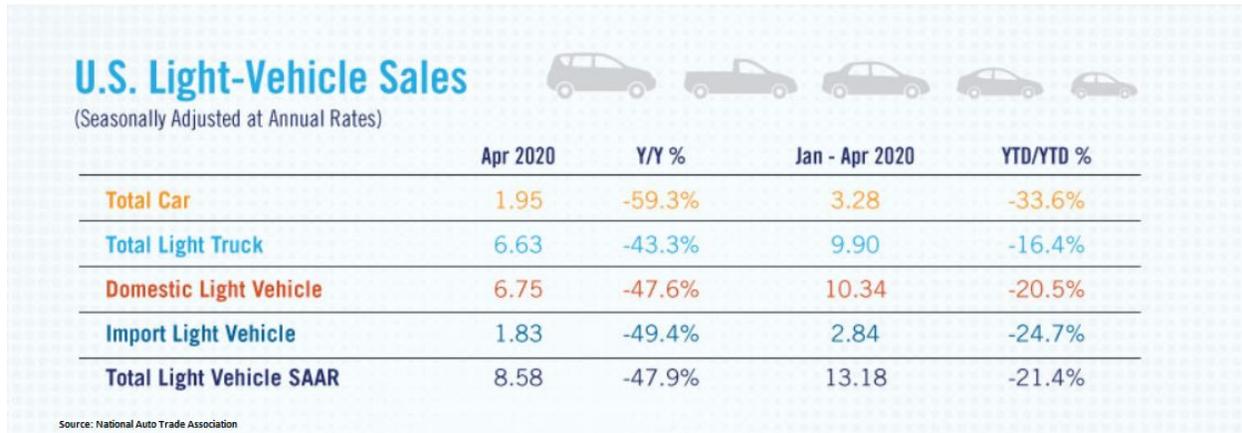
While new vehicle registrations declined 21.2% through the first quarter of 2020, the number of new registrations is not expected to continue to drastically decline and the industry is showing signs of recovery. New vehicle registrations are expected to fall to 268,000 units, down 22.7% from 2019.

Annual Trends in Area New Vehicle Market



National Level

Similar impacts can be seen at the national level. New vehicle sales are down 33.6% during the first four 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.



Restaurant Sector

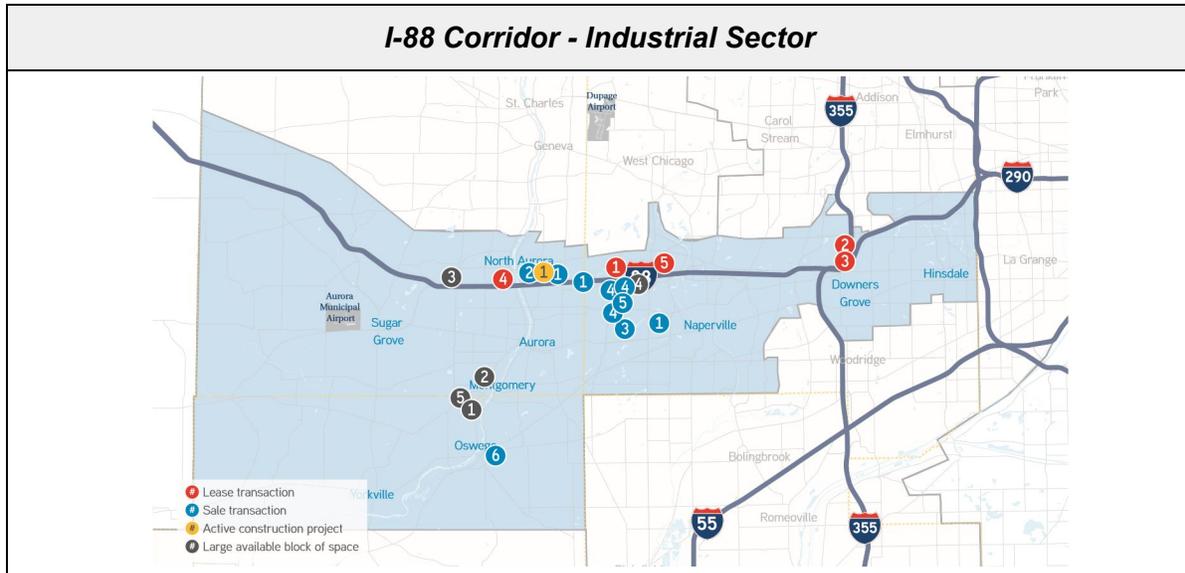
Downers Grove

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

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.

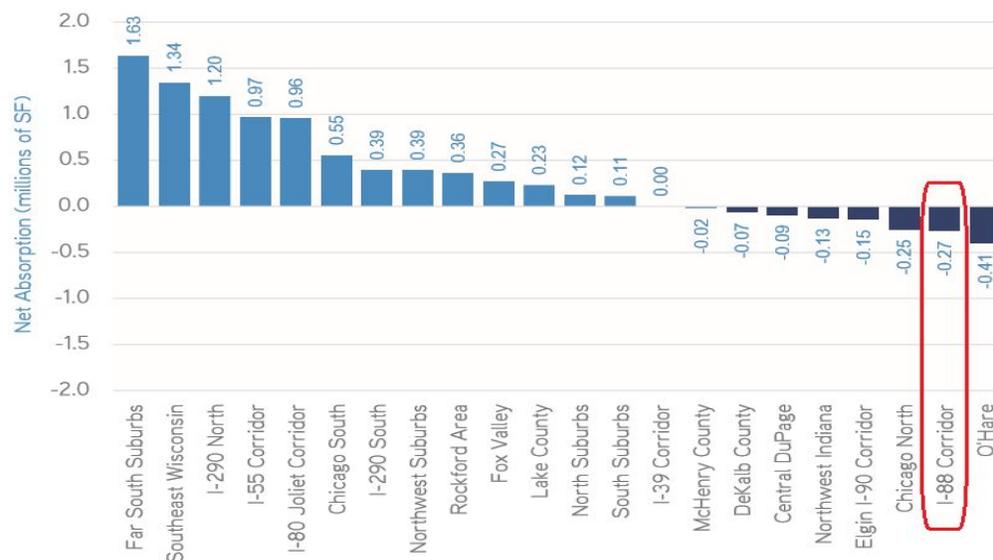
Market Indicators - Chicago Metro					Market Indicators - I-88 Corridor				
Market Indicators					Submarket Indicators				
CHICAGO INDUSTRIAL MARKET		Q1 2020	Q4 2019	Q1 2019	I-88 CORRIDOR		Q1 2020	Q4 2019	Q1 2019
VACANCY RATE	↓	6.16%	6.25%	6.30%	VACANCY RATE	↑	7.83%	6.55%	6.83%
NET ABSORPTION (SF)	↑	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
<i>Source: Colliers International</i>									

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

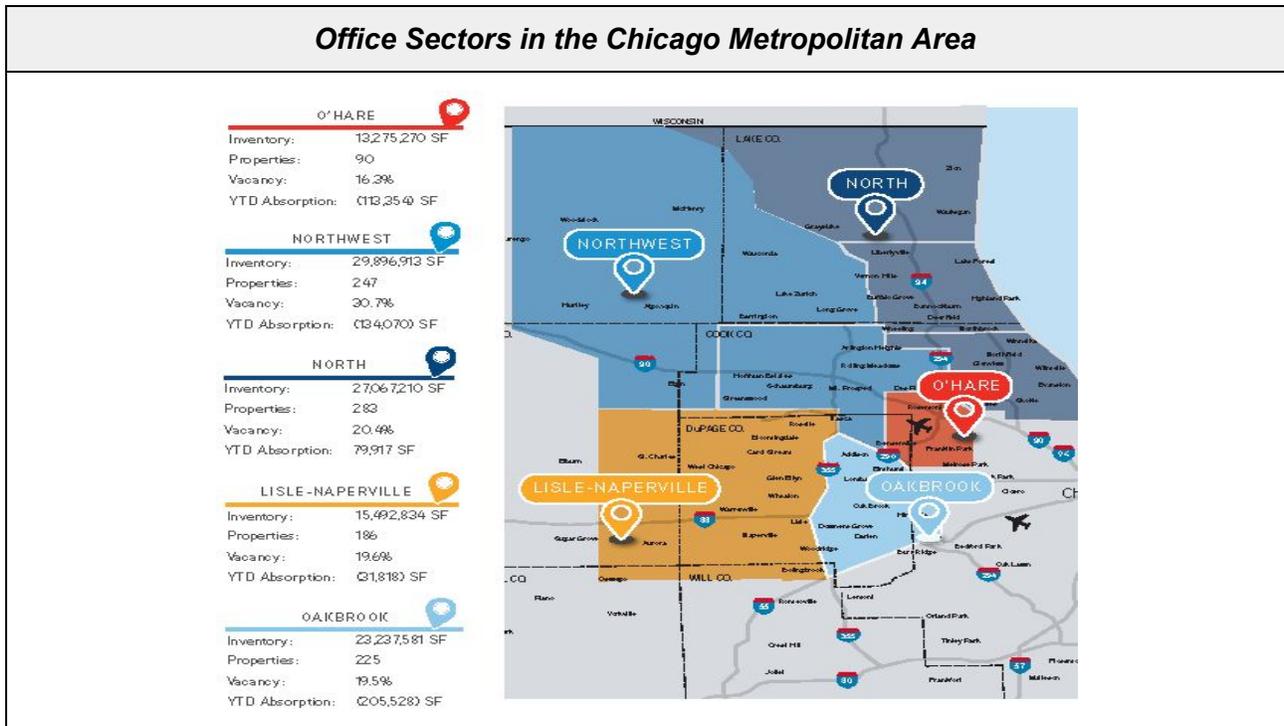


Source: Colliers International

Office Sector

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.



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

Source: Colliers International

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.