Long Range Financial Planning
Village Workshop Meeting
July 21, 2009

Changes to Business Model

Changes to Business Model

- Substantial Financial Challenges Suggest Need to Change Business Model
- Consistent with Solutions and Strategies
- Implement Operational Efficiencies
- Overview of Three Proposed Changes to Village Operations
- Included as Action Items in LRFP
- Require Future Council Consideration

Changes to Business Model

- Annexation Initiative
- Fire Department Operations
- Stormwater Utility

Annexation Initiative

Annexation Initiative

- "Grow the Base" Strategy
- Positive Financial Impact When Revenues Exceed Expenses
- Village Not Actively Annexing Parcels
- Proposal to Actively Pursue Annexations with Positive Financial Impact

Annexations

- Financial Impact Discussion
- Operational (How to Annex) Discussion in the Future
- Overview of Financial Issues Related to Annexations
- Example Annexation (Fairview/39th)

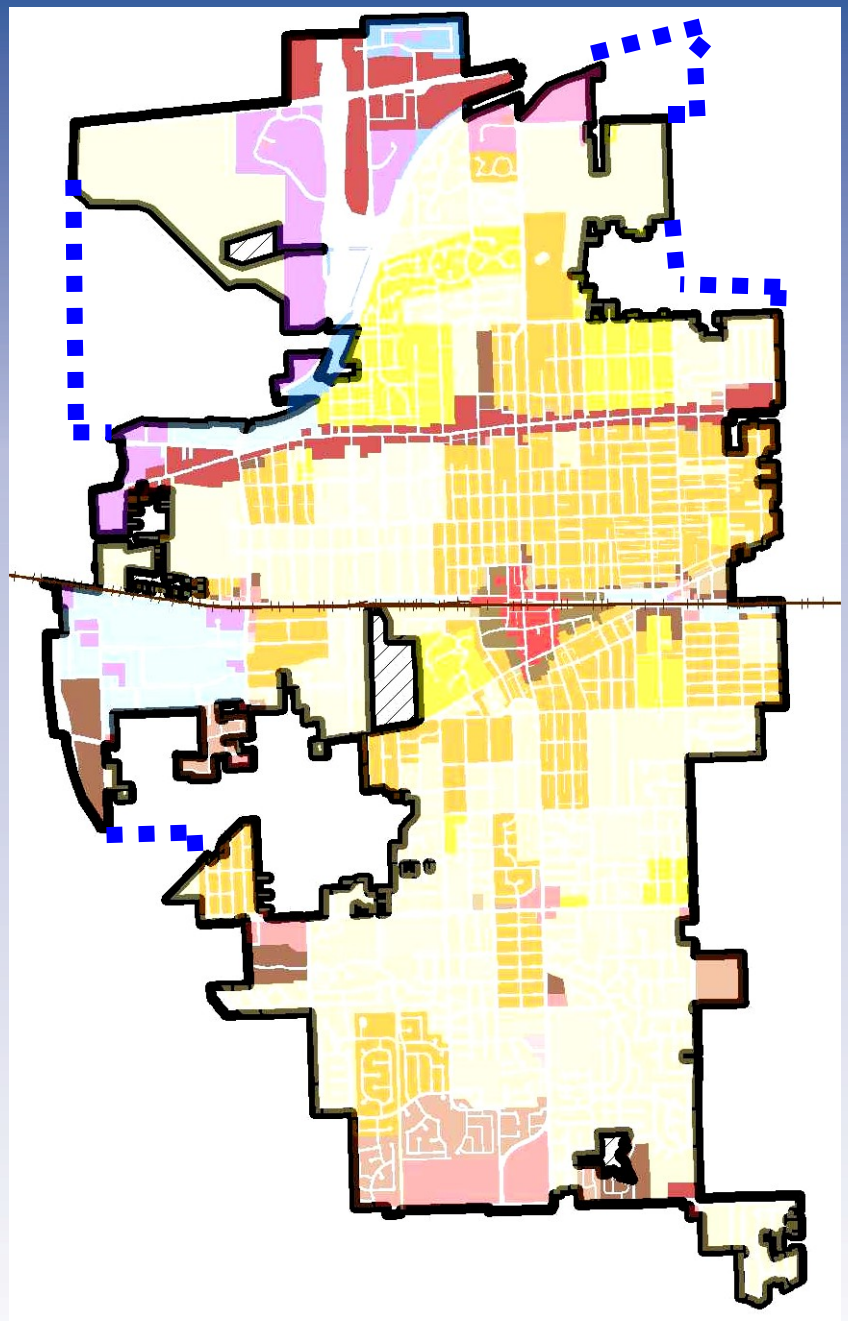
Annexations

Positive Financial Impacts When

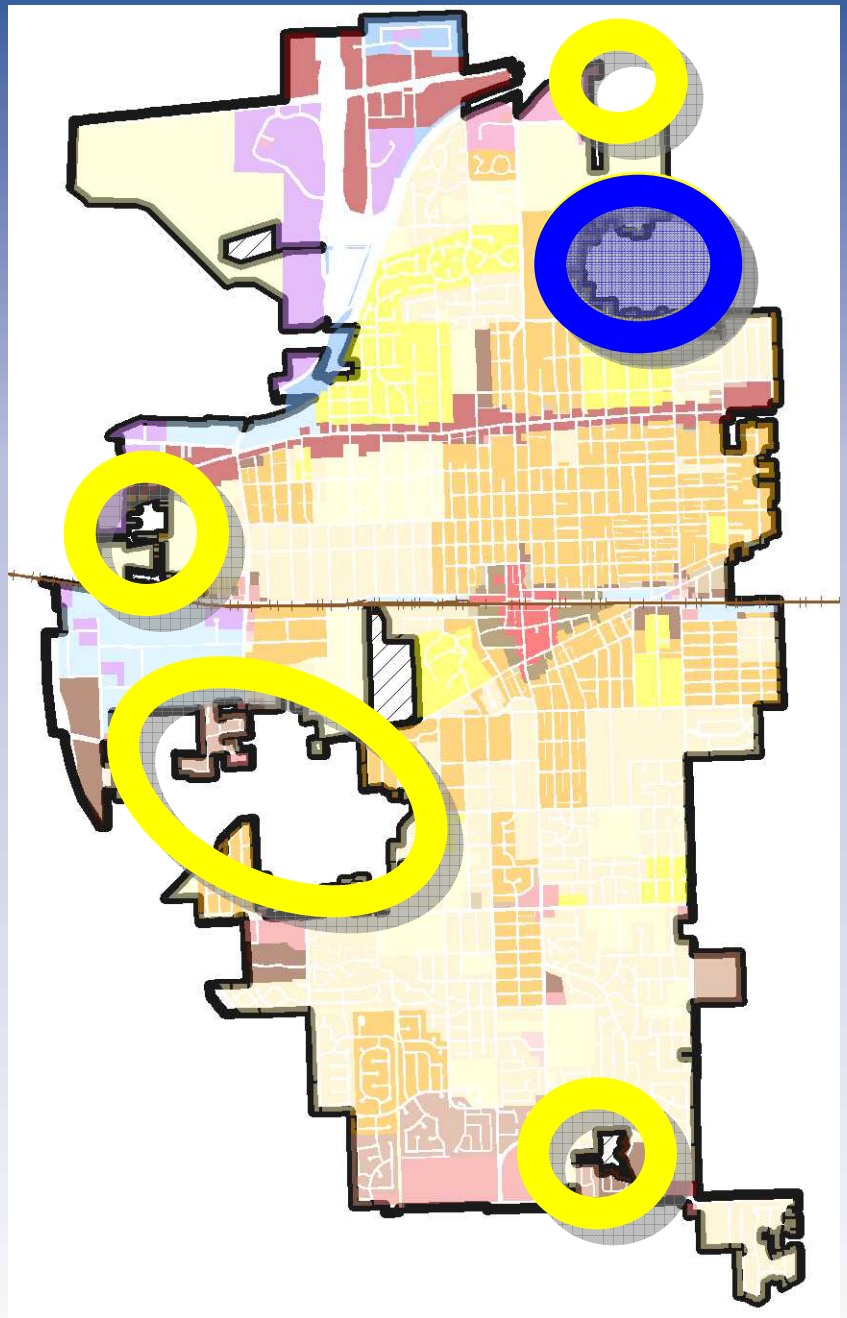
- Strong Property Values
- People Residing in Area
- Low Incremental Service Costs
- Average or Low Infrastructure Needs

Revenues	Expenses
	SERVICES
Property Tax	Fire Service
Fire Protection Service Fee*	Police Service
Water Fees*	Forestry & Grounds Service
Motor Fuel Tax	Snow & Ice Removal
State Income Tax	Street Sweeping
Local Use Tax	Street/Pavement Maintenance
Electricity Tax	Gravel Shoulder Repair
Cable Franchise Fees	Ditch Maintenance
Gas Use Tax	Driveway Apron/Culvert Repair
Telecommunication Tax	
	INFRASTRUCTURE
* Reductions upon annexation	
	Street Lights
	Sidewalks
	Wayfinding/Pavement Marking
	Water Mains

Planning Jurisdiction - Unincorporated

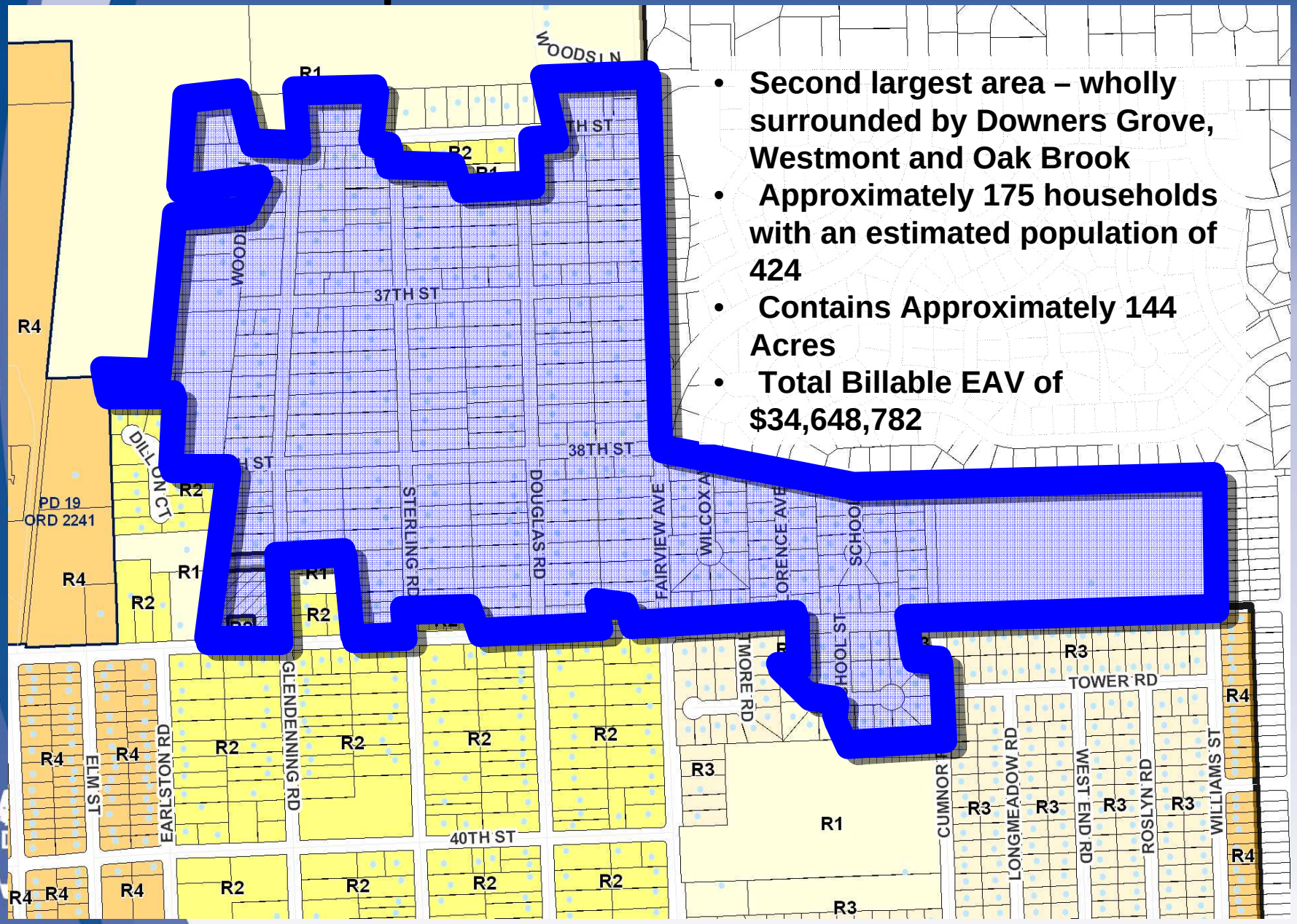


Major Unincorporated Areas



- ✓ Village staff analyzed the impacts of annexing Fairview/39th Street Area
- ✓ Uniquely ready for annexation

Example – Fairview/39th Street



- Second largest area – wholly surrounded by Downers Grove, Westmont and Oak Brook
- Approximately 175 households with an estimated population of 424
- Contains Approximately 144 Acres
- Total Billable EAV of $34,648,782

Fairview/39th Street

- Annual Estimated Revenues would be $235,000
  - Increase in Village EAV (Expand the Base)
  - Increase in Per Capita Revenue
  - Increase in Other Revenue Sources
- Annual Estimated Expenses of $80,000
  - Minimal Incremental Service Cost (Police, Fire, Snow Plowing, etc.)
  - Typical Infrastructure Costs
- Positive Net Financial Impact of $875,000 to $1.3 Million (NPV in 10 Year Period)

Annexation Initiative

- Analyze the Impacts of Annexing Areas within Planning Boundary
- Actively Pursue Annexation of Areas with Positive Financial Impact
- Annex Selected Areas within 1 to 5 Years
- Part of “Grow the Base” Strategy

Fire Department Operations

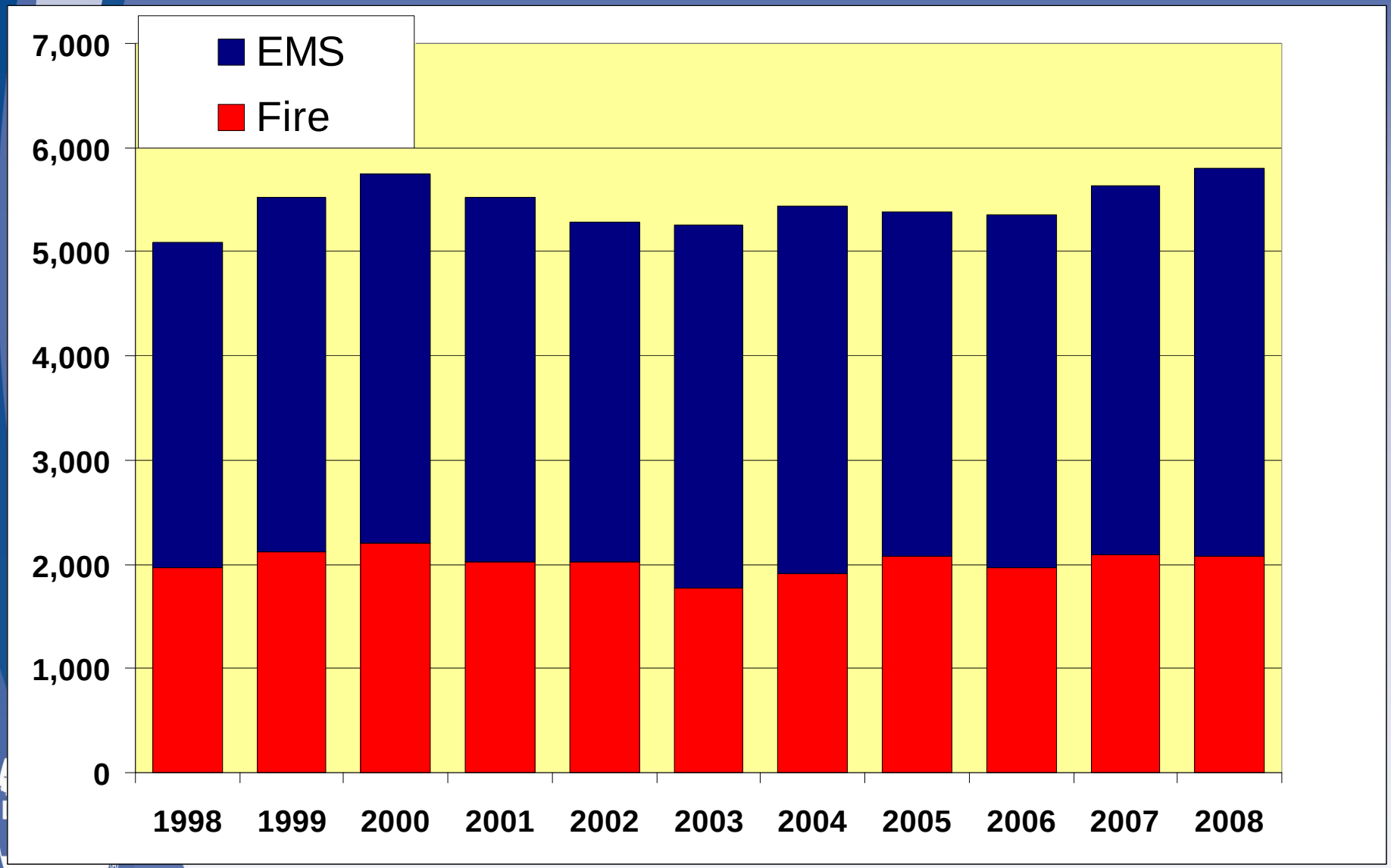
Fire Department Operating Efficiency

- Operate engine and ambulance jointly from Darien-Woodridge Belmont Station
- Service Enhancement for Both Communities
- Maintain Response Times Per Standards
- Reduce Costs

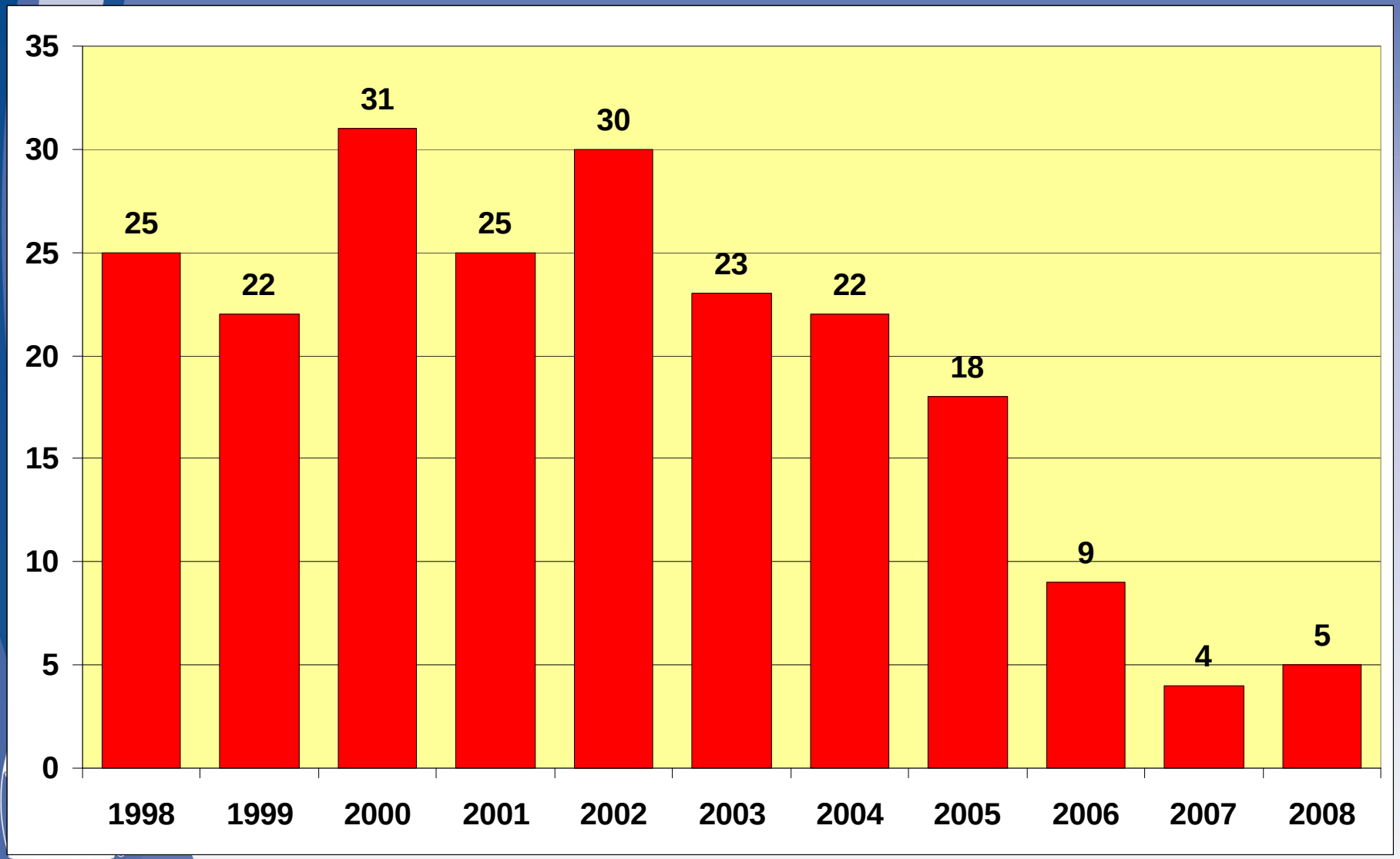
Current Fire & EMS Service Level

- Provide Fire and EMS Service – Core Services
- Four Stations
- Three 24-Hour Shifts
- Minimum 18 Firefighters Per Shift
- 5600 Calls for Service Annually
- Majority of Calls are EMS
- Response Time of Less than 6 Minutes
- Work in a System of Mutual Aid

10 Year History: Calls for Service



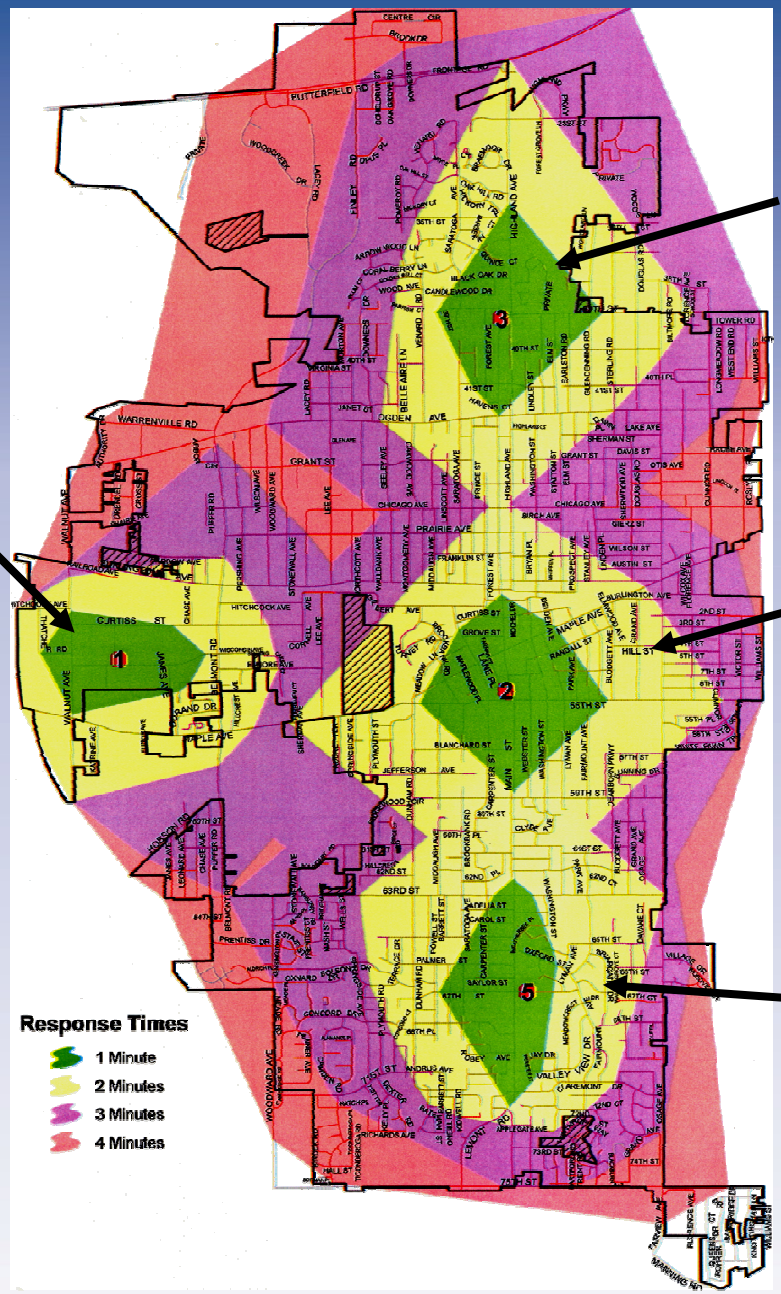
Actual Structure Fires



Fire Department Strategy

- 1999 Station Location Study
- Key Recommendations
  - Construct New Station 2 at 55th & Main, Centralize Ladder Truck & Squad
  - Improve Operating Efficiencies and Reduce Costs by Closing Station 1

3 Firefighters
Engine
13% of Calls



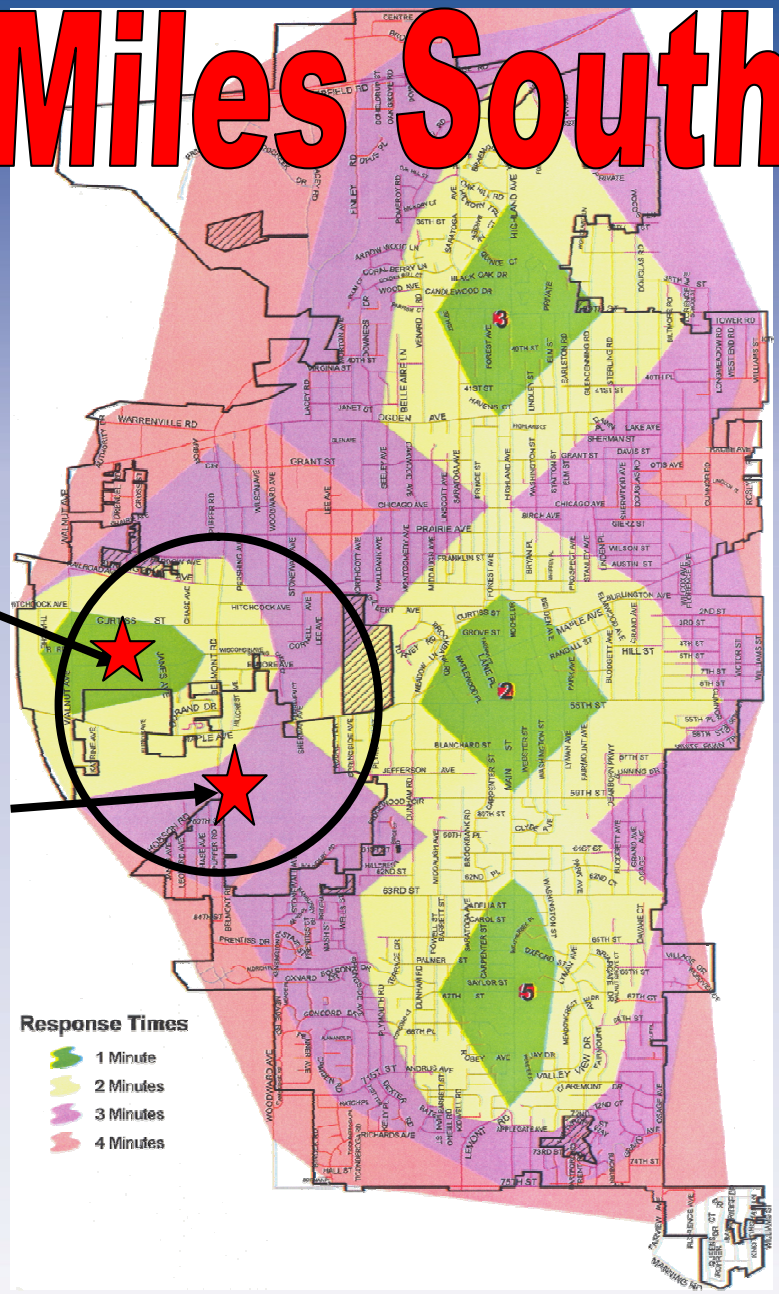
5 Firefighters
Engine &
Ambulance
36% of Calls

5 Firefighters
Ladder Truck
Rescue Squad
Ambulance
22% of Calls

5 Firefighters
Engine &
Ambulance
29% of Calls

Village of DOWNERS GROVE FOUNDED IN 1832

1.3 Miles Southeast



DGFD Station

3 Firefighters

Engine

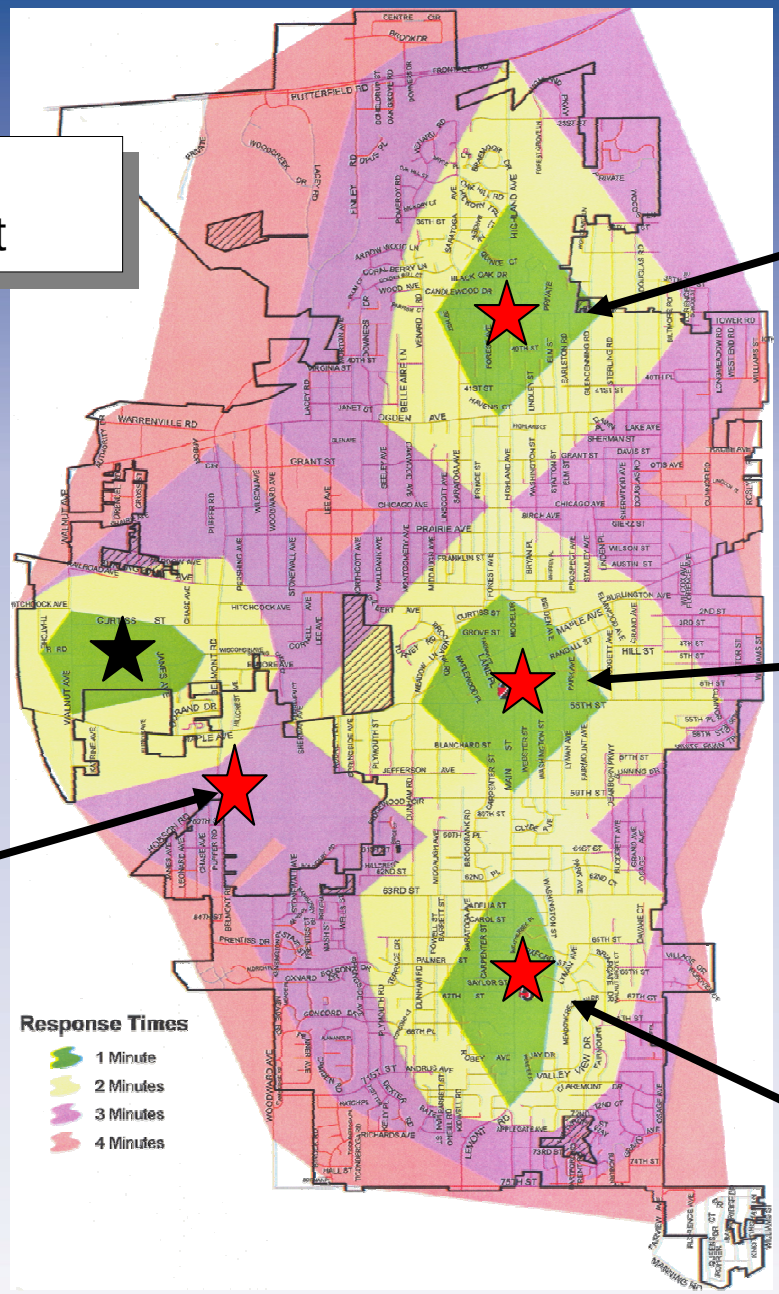
DWFPD Station

3 Firefighters

Engine or Ambulance

Village of DOWNERS GROVE FOUNDED IN 1832

Efficiency Enhancement



5 Firefighters
Engine & Ambulance

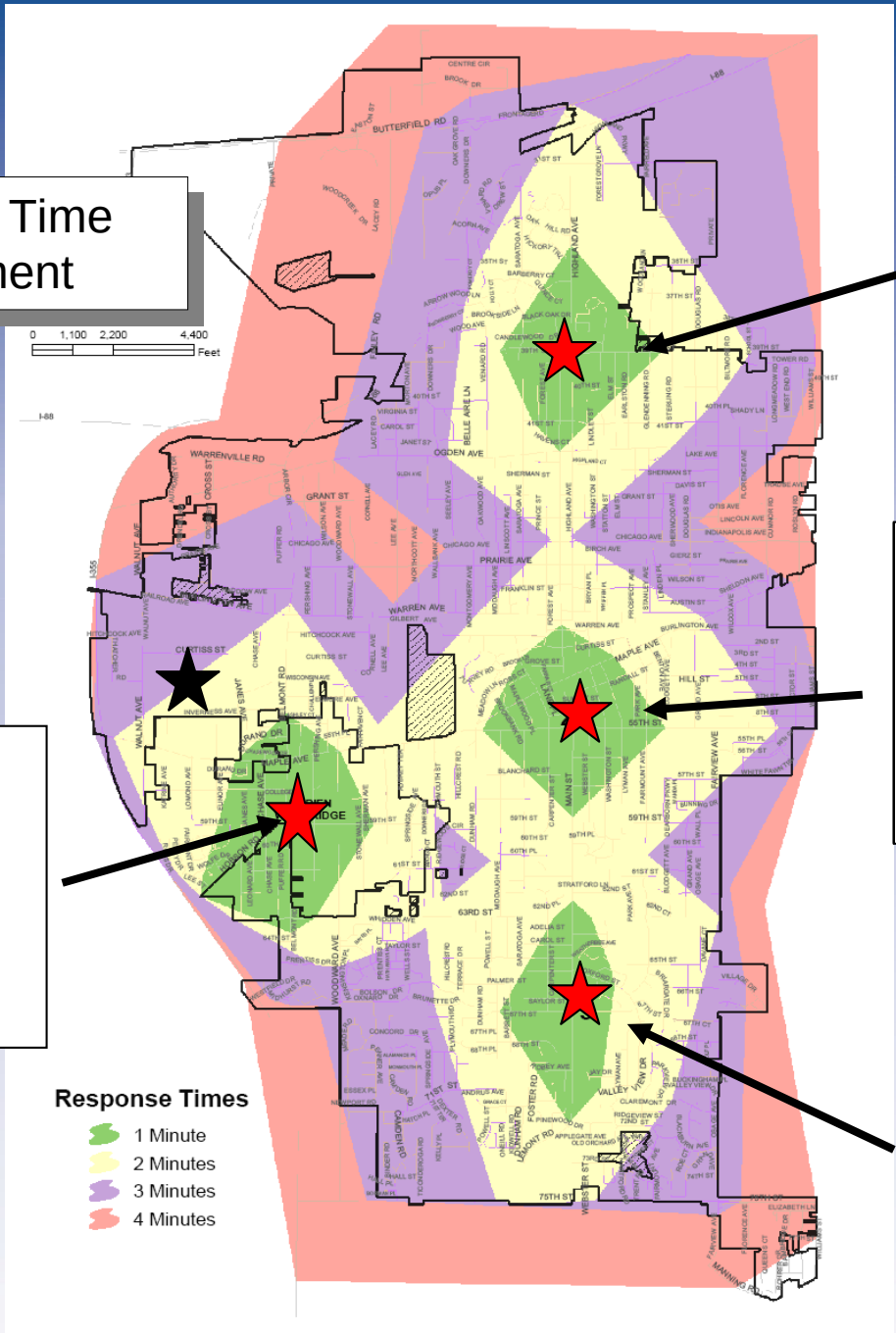
5 Firefighters
Ladder Truck
Rescue Squad
Ambulance

5 Firefighters
(2 DGFD)
Engine & Ambulance

5 Firefighters
Engine & Ambulance

Village of DOWNERS GROVE FOUNDED IN 1832

Response Time Enhancement



5 Firefighters
Engine & Ambulance

5 Firefighters
Ladder Truck
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Ambulance

5 Firefighters
(2 DGFD)
Engine & Ambulance

5 Firefighters
Engine & Ambulance

Village of DOWNERS GROVE FOUNDED IN 1832

Working Relationship with Darien-Woodridge

- History of Effective Mutual Aid
- Worked Jointly from Darien-Woodridge Station 2 in 2007
  - Service Enhancements for Both Communities
  - Response Times Met Standards
  - No Operational Issues

The Results

- Service Enhancement for Both Communities
  - Engine and Ambulance Response in Service Area
  - Maintain 3 Engines
  - Increase Ambulances from 3 to 4
- Maintain Response Times Per Standards
- Reduce Costs
  - Reduce DGFD Shift Minimum from 18 to 17
  - Reduce Overtime Costs
  - Estimated Annual Personnel Savings of $200,000

Stormwater Utility

Stormwater Utility

- Revenue Enhancement Strategy
- Addresses Financial Gap in Infrastructure and Facilities
- Currently Operate Stormwater System Using Traditional Funding Sources
- Proposal: Operate the Stormwater System as a Utility

Stormwater Utility

Public Utility:

a business organization (such as an electric company) performing a public service and subject to special governmental regulation

Source: Merriam-Webster's Online Dictionary

Stormwater Utility

- Determine Costs of Owning, Operating and Maintaining the Stormwater System
- Establish Fees and Charges to Cover the Stormwater System Costs
- Charge Customers for their use of the Stormwater System

Stormwater Utility

- Many examples – over 600 in the US
- Illinois municipalities include Rolling Meadows, Moline, Rock Island & Bloomingdale
- Billed separate from taxes
- Can be stand-alone or merged with an existing department or utility

Stormwater Utility – Cont.

- Based upon runoff generated by each user – commonly expressed similar to a water billing unit
- Allows for credits for on-site stormwater improvements
- Can be used for regulatory compliance

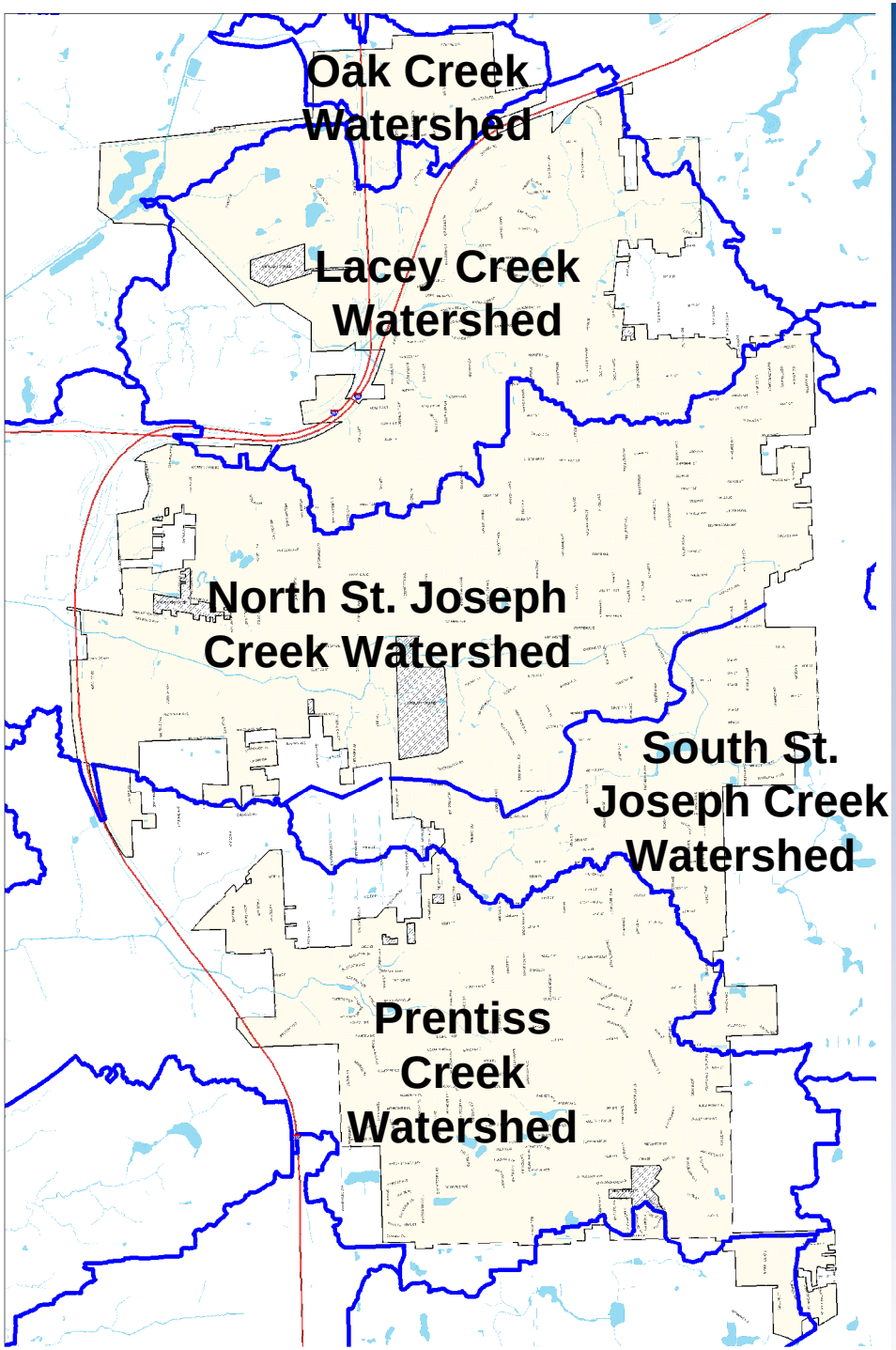
Benefits

- Predictable funding source → Better planning
- Equitable → Based on impervious area
- Fills gap caused by NPDES II ‘unfunded mandate”
- Ties a Funding Source Directly to the Service Provided
- Covers the Costs of Operating the Stormwater System

Potential Drawbacks

- Perception that stormwater utility fee is a tax
- Initial administrative costs for development of the ordinance, billing system, and public education
- Minor administrative cost increase is likely for billing and customer service

Downers Grove Stormwater System


Oak Creek Watershed
Lacey Creek Watershed
North St. Joseph Creek Watershed
South St. Joseph Creek Watershed
Prentiss Creek Watershed

Downers Grove Stormwater System

- 128 miles of storm sewer pipe
- 9 miles of culverts
- 70 miles of ditches
- 7,000 structures (inlets, manholes, etc.)
- 11 stream-miles

Stormwater System Maintenance

- Structure Maintenance
- Sewer Cleaning
- Ditching
- Storage Facility Inspection and Maintenance
- Creek Maintenance
- Requirements of NPDES
- Activities and Service Levels Per Stormwater Maintenance Plan

Stormwater System Capital Needs

- Construction of New Storage Facilities
- Expansion of Existing Storage Facilities
- Construction of New Sewers
- Construction Activities per Watershed Infrastructure Improvement Plan

Stormwater System

- Annual Maintenance Costs of $825,000
- Capital Costs of $36.7Million Over the Next 5 Years
- Estimated Annual Need of $8 Million

Summary

- Currently Operate Stormwater System Using Traditional Funding
- Proposal is to Operate as a Utility
- Create Stormwater Utility within 2-3 Years
- Benefits
  - Predictable funding source
  - Equitable → Based on impervious area
  - Fills gap caused by NPDES II ‘unfunded mandate”
  - Ties a Funding Source Directly to the Service Provided
  - Covers the Costs of Operating the Stormwater System

Changes to Business Model

- Annexation Initiative
- Fire Department Operations
- Stormwater Utility

Long Range Financial Planning

- Difficult and Complicated Decisions
- Manageable
  - Issues Presented and Discussed Early in Process
  - Staff Prepared Potential Solutions and Strategies
  - Solutions and Strategies Discussed Later in Process

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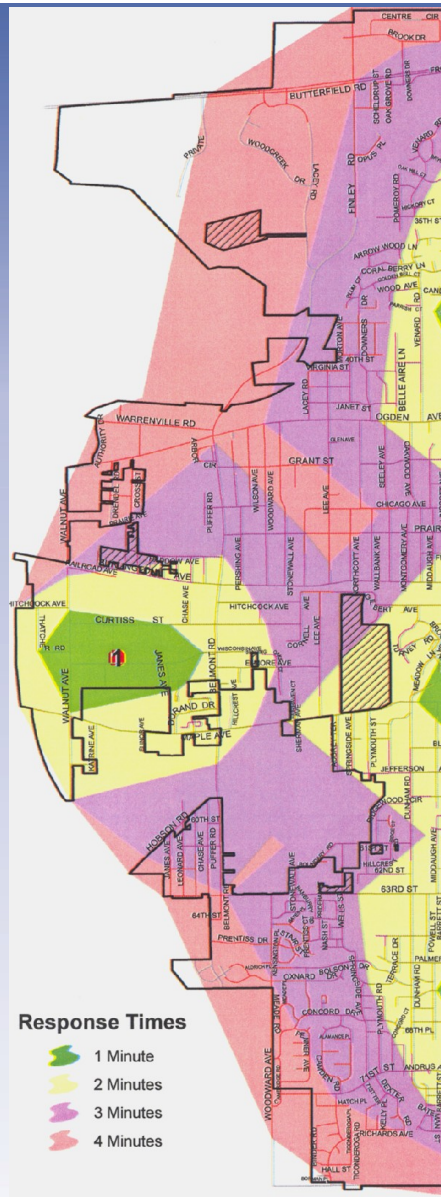
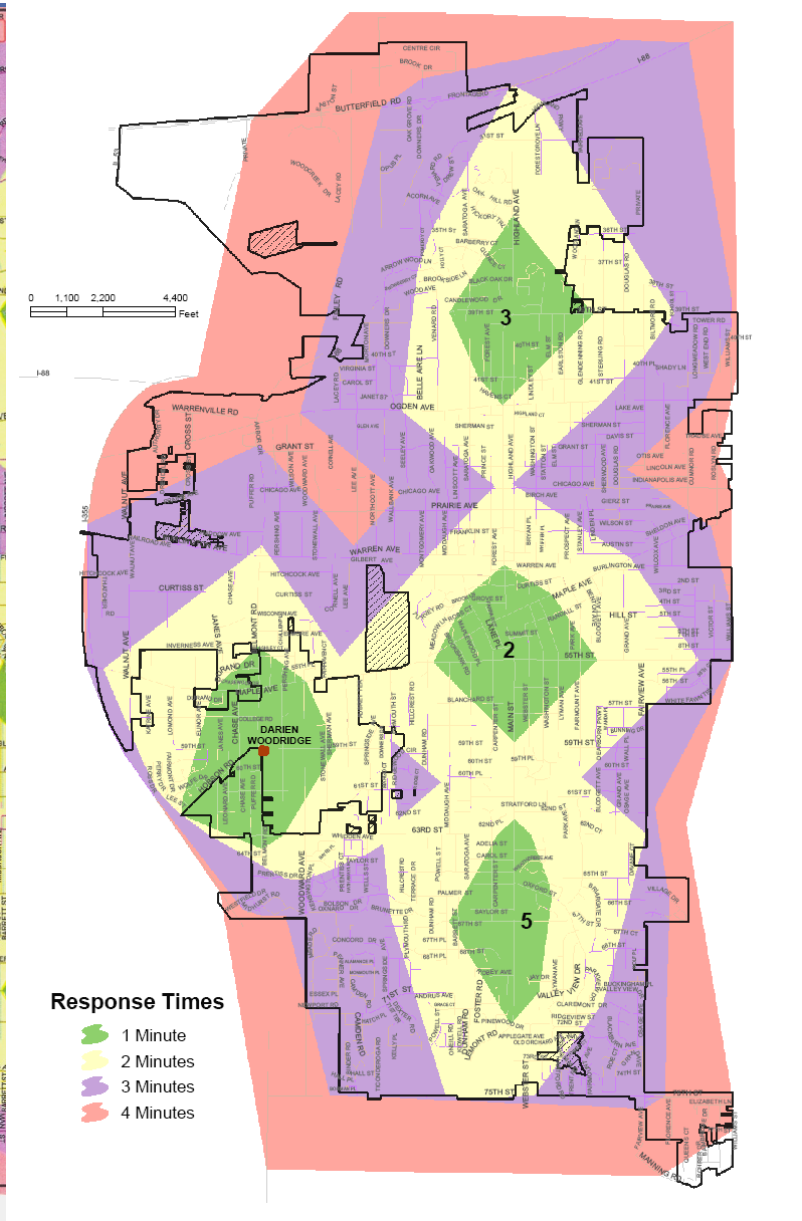
Changes to Business Model

Now



Potential



Village of DOWNERS GROVE FOUNDED IN 1832