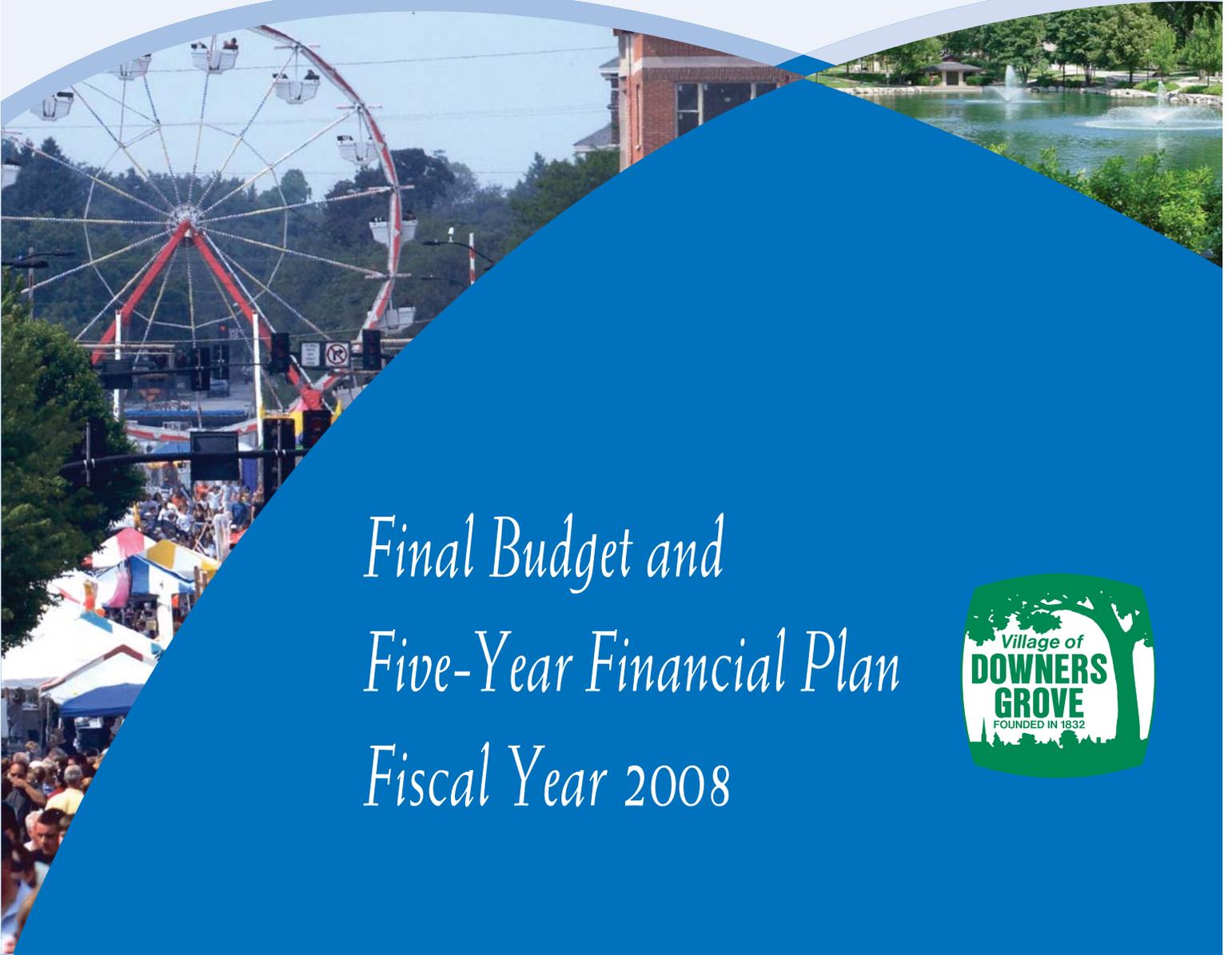


Village of Downers Grove



*Final Budget and
Five-Year Financial Plan
Fiscal Year 2008*



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Village Officials and Management Staff

Mayor & Village Council

Mayor

Ron Sandack

Commissioners

Bruce Beckman

Geoff Neustadt

Marilyn Schnell

Martin Tully

Sean Patrick Durkin

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Michael Baker

Communications Director

Douglas Kozlowski

Community Development Director

Thomas Dabareiner

Community Events Director

Mary Scalzetti

Counseling & Social Services Director

Andrew Matejcek

Human Resources Director

Wesley Morgan

Finance Director

Judy Buttny

Fire Chief

Phillip Ruscetti

Information services Director

Liangfu Wu

Police Chief

Robert Porter

Public Works Director (Interim)

Robin Weaver

Village Attorney

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Village Clerk

April Holden

January 1, 2008

Village Council
Village of Downers Grove
801 Burlington Avenue
Downers Grove, IL 60515

Dear Mayor and Village Commissioners:

The enclosed budget for fiscal year 2008 (FY08) was adopted on December 4, 2007, following a number of public discussions including a budget workshop on October 20, 2007, a coffee with the council on November 3, 2007, a public hearing on November 6, 2007 and a presentation of stormwater debt financing by Northern Trust on November 20, 2007. Additional discussions were held by the Council on October 23, 2007 and November 27, 2007. As with prior years, the preparation of the budget took considerable time and numerous, conscientious deliberations were held about Village finances throughout the process.

A detailed description and financial summary is provided within this document. In presenting the document, it is important to note several major issues before the Village that impact the document:

1. Watershed Infrastructure Improvements Needs

In 2007, the Village celebrated the 175th anniversary of Pierce Downer's settlement of this community in 1832. While the Village was not incorporated until 41 years later in 1873, the age of the community is noteworthy from a municipal budget perspective and exemplifies the most significant financial liability to the Village is the age of the community and the infrastructure that makes up the fabric of our neighborhoods. In FY08, the municipal budget will include for the first time a Stormwater Improvement Fund which is supported by a ¼ cent increase in the Home Rule Sales Tax, a property tax levy of \$2,130,000 and the pre-existing detention variance fee. The Home Rule Sales tax increase will be effective July 1, 2008. It is anticipated that a general obligation bond of approximately \$24,679,000 will be issued in FY08, followed by a general obligation bond issuance of approximately \$24,124,000 in FY12 and finally a general obligation bond issuance of approximately \$23,464,000 in FY15. The debt service on these issuances will be covered by the above mentioned ¼ cent Home Rule Sales Tax, property taxes and detention variance fees. The resulting bond proceeds will allow the Village to complete the most critical capital improvements identified in the Watershed Infrastructure Improvement Plan. The new Stormwater Improvement Fund is a positive step for the Village toward strategically addressing stormwater maintenance and infrastructure needs and enhancing the storage capacity and transmission of stormwater to the Village's watersheds. Specific capital projects are identified in the Community Investment Program (CIP) for FY08 that will be coordinated with stormwater infrastructure improvements. It is acknowledged that this is a significant commitment on the part of the residents of the Village as the sources of revenue include property and Home Rule Sales taxes.

2. Capital Needs

In addition to stormwater infrastructure needs, the Village has water distribution system, street system, and sidewalk needs that are also not being sufficiently addressed. Despite the availability

of revenue from a ½ cent Home Rules Sales Tax revenue in this fund, capital needs in the Village exceed available resources. As such, starting July 1, 2008 a one percent increase in the telecommunications tax has been approved with the revenue restricted to the Capital Fund in is expected to generate and additional \$820,000 annually.

3. Facility Needs

The Village further has a need to update a number of municipal facilities. On August 28, 2007, the Facility Needs Assessment Study Report by PSA-Dewberry for the municipal facilities located in the Village's Civic Center, including the Village Hall, Police Station, Fleet Maintenance and Counseling & Social Services facilities was presented to Council. While this document provided important information regarding the need to update and/or replace these facilities, the Village Council determined that resources were not available in FY08 to move forward with improvements and alternatively directed staff to bring proposals forward for consideration during the FY09 budget process.

4. Operational Needs

The FY08 budget maintains alignment with the Strategic Plan as well as the Five Year Plan and Goals for 2007-2012 which identified *Exceptional Municipal Organization* with an objective of *Top Quality Core Services Responsive to Current and Future Community and Citizen Needs*.

The strategic planning process is a critical element of the annual work to prepare a recommended budget. In preparation for FY08, the Village Council completed its annual Strategic Plan preparation process in 2007, including a Citizen Summit component, for the Village. The final document was accepted by the Village Council on December 4, 2007. With the addition of items this year, the Strategic Plan maintains its sense of the importance of fiscal responsibility and the importance of the Village becoming an *Exceptional Municipal Organization*. As a result, a primary goal of the recommended municipal budget is to maintain Village service levels while enhancing the quality of services provided. It is with this goal in mind that the budget does not cut operational services to fund capital needs. Further, the adopted budget maintains its commitment to fiscal responsibility while it does not increase funding for day-to-day operations.

In terms of fiscal responsibility, this value is presented in terms of its compatibility with the need to provide responsive and quality public services. As a result, the budget document has maintained a focus on:

1. Planning for a Financially Sustainable Village Government
2. Residents Receiving Value for Their Tax Dollar and Fees
3. Maximizing Use of Available Resources in Service Delivery
4. Diverse and Balanced Tax Base
5. Responsible Investing in the Village's Future
6. Decisions Made with Financial Consequences in Mind

5. Change in Dates of Fiscal Year

This fiscal year (FY08) will be the second full 12-month fiscal year which covers the time period from January 1, 2008, through December 31, 2008. The fiscal year that ran from May 1, 2006, through December 31, 2006, was considered a stub year and accounts for eight months of expenditures, following the Village Council's adoption of an ordinance that shifted the Village to a calendar fiscal year, starting January 1, 2007. Therefore, for purposes of comparing budget

growth in the recommended FY08 budget, readers are reminded when viewing historical financial data to compare that data to the full twelve month period for the audited year FY05-06.

Overall Financial Summary

The Village fiscal year begins January 1, 2008, and ends December 31, 2008, and is comprised of 25 active funds. Under the direction of the Strategic Plan adopted by the Mayor and Village Council in 2007, the budget reflects the fact that our five year plan goals for 2007-2012 are to become an *Exceptional Municipal Organization with Top Quality Village Infrastructure and Facilities within a Strong, Diverse Local Economy that has Vibrant Major Corridors with an Authentic Downtown that is the Heart of our Community* while we work to ensure the *Preservation of Our Residential and Neighborhood Characteristics*. The primary goal of the municipal budget is to maintain the already sound fiscal position of the Village and improve the quality of public services provided to residents and businesses. The Village currently has an underlying bond rating of AA+ with a stable outlook from Standard and Poors.

Within the General Fund Budget, a flat property tax rate is proposed (with an assumption of eight percent growth in EAV) along with shifts in the alignment of Village staff to improve customer service. Specifically, two staff engineers who review building permit applications relative to stormwater and civil engineering are re-assigned from the Public Works Department to the Community Development Department, which is responsible for final building permit issuance. The duties of the Village's Stormwater Administrator are also re-assigned to the highest ranking civil engineer in the organization, the Assistant Public Works Director, to ensure proper oversight of the Village's stormwater regulations at the highest level. This shift resulted in a reduction of one full-time engineer (as supervision of the two staff engineers is moved to the Community Development Department and the Stormwater Administrator duties are moved to the Assistant Public Works Director). This cost savings allowed additional funding for stormwater maintenance activities. Any engineering review work shortages will be filled by contractual engineering services. In addition, in the Community Development Department permit review responsibilities and building construction inspection activities will be segregated (as opposed to the current practice where individual employees perform both plan review and construction inspection activities). This will improve accountability and enhance customer service via increased availability during office hours of plan reviewers. There is also a reduction in staffing with the elimination of a currently vacant code enforcement position. While this position has been vacant for a number of months, the compliance levels have increased in the Community Development Department.

In regards to other operational issues, the FY08 municipal budget does not substantially increase any Village provided public services, except in the area of capital, stormwater system maintenance and watershed improvements.

Revenues

While the total municipal budget relies upon a number of sources of revenue, the property tax levy continues to be a focus of judging the fiscal health of the community. Property tax accounts for 20 percent of the general fund revenue in the budget.

Through the Village Council's leadership and Downers Grove's legal authority as a Home Rule unit of government, the Village has developed a diverse mix of revenue streams which has lessened the potential property tax burden on residents in order to address the financial needs of the organization within the General Fund. This reflects a flat property tax rate, which will allow the levy to grow by nature of increases in the Equalized Assessed Valuation (EAV) of property within the Village. A

homeowner with property with a market value of \$500,000 (and an EAV of \$167,000) will pay \$632.50 in property taxes to the Village in 2007, the same level as paid in 2006, assuming no change in the home's assessed valuation. In other words, for \$52.70 per month a resident will continue to receive high quality emergency police and fire services, in addition to other primary services like snow removal and street maintenance. When compared to other regular household expenses such as electricity, natural gas, or telephones, the Village of Downers Grove's portion of the property tax bill offers significant value. It is important to note that under the Stormwater Improvement Fund an increase to the tax levy is included for the purpose of providing revenue in that fund. The following chart highlights the proposed changes from FY07 to FY08 for all property taxes levied to support the Village.

	2006 EAV received in 2007	2007 projected EAV to be received in FY08 (8% increase)	2007 projected EAV to be received in FY08 (8% increase)
EAV Village	\$ 2,222,875,166	\$ 2,400,705,179	\$ 2,400,705,179
EAV Fire Protection District	\$ 2,208,760,258	\$ 2,385,461,079	\$ 2,385,461,079

	2006 extended levy received in FY07	2007 Recommended levy to be received in FY08	Assessor Established Extended levy (1% increase of Village levy)
Corporate/Police Levy	\$ 2,569,644	\$ 2,736,671	\$ 2,764,038
Fire Protection Levy	\$ 2,429,636	\$ 2,746,563	\$ 2,774,029
Police Pension Levy	\$ 1,090,889	\$ 1,145,133	\$ 1,156,584
Fire Pension Levy	\$ 1,565,863	\$ 1,017,249	\$ 1,027,421
Stormwater Surcharge	n/a	\$ 2,604,098	\$ 2,630,139
Debt Service Levy	n/a	\$ 3,980,834	n/a
Debt Service to be Abated	n/a	\$ (3,192,526)	n/a
Debt to be paid by property tax after abatement	\$ 735,904	\$ 788,308	\$ 796,191
total property tax levy request	\$ 8,391,936	\$ 11,038,022	\$ 11,148,402

Corresponding Village Tax Rate	\$ 0.3799	\$ 0.4605	\$ 0.4651
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	2006 extended levy received in FY07	2007 Recommended levy to be received in FY08	Assessor Established Extended levy (1% increase of Village levy)
Library Operating	3,458,281	3,631,195	3,667,507
Library Debt Service	655,193	656,850	663,419
Special Service Area #1	7,500	0	0
Special Service Area #2	234,000	234,000	234,000
Special Service Area #3	8,758	8,671	8,758

TOTAL - All Levies without Abatement		\$ 18,761,264	
Abatement		(3,192,526)	
TOTAL - All Levies	12,755,668	15,568,738	15,722,085

General Fund

The General Fund is in compliance with the Village Council Policy pertaining to the cash balance or targeted amount of cash anticipated on the monthly Treasurer’s report for the last month of the fiscal year. The cash balance, as of the last day of the fiscal year, will be used as a target for budgeting for the fiscal year. A target cash balance is established to provide financial stability, cash flow for operations, and the assurance that the Village will be able to respond to emergencies with fiscal strength. In regards to the General Fund the cash balance is to be no less than two months of annual operating expenses and not more than four months of annual operating expenses, based upon a specific definition of “operating expenses” which does not include controlled assets, capital assets or pension expenses supported by tax levy.

The General Fund is the principal operating fund of the Village, providing financial resources necessary to support a majority of the Village’s governmental services. The General Fund is supported with revenue from a variety of sources, including local taxes; license and permit revenues; state-shared revenue; fees, charges and fines; and grant revenue. In FY08, the staff projects revenues in the General Fund to total \$41.3 million. The budget for General Fund expenditures has been able to absorb the reduced revenues by reducing funding for personnel expenses to 95 percent of full staffing which is in line with the historical staffing levels (generally, at fiscal year end, General Fund expenditures for personnel are nearly \$1,500,000 less than the amount budgeted due to staff turnover and vacancies). The strategy of more accurately predicting personnel expenditures should end the rapid growth of the Ending Cash Balance in the General Fund and maintain an Ending Cash Balance within the General Fund at a level within the Village Council Policy.

With the above information in mind, the following is a synopsis of selected major areas in the FY08 General Fund Budget:

Existing Program/Area	Description	Savings/(Cost)
<p>Wage range increases and collective bargaining agreement wage increases.</p>	<p>The Village of Downers Grove is a service organization that allocates nearly 70 percent of its General Fund Budget to personnel-related expenses. The recommended Village budget proposes a total staffing level of 374.78 fulltime equivalent (FTE) positions, which fall into one of the following four employee groups for the purposes of salary/wage classification:</p> <ul style="list-style-type: none"> • Exempt & Non-Exempt Employees, 183.78 FTE • Firefighters (Union), 75 FTE • Police Officers (Union), 61 FTE • Public Works – Various (Union), 55 FTE <p>Collective bargaining agreements that were previously approved by the Village Council establish the wages for firefighters through April 30, 2011, and for police officers through April 30, 2008. These collective bargaining agreements establish a starting wage and steps that employees covered by these agreements are paid based upon length of employment. It should be noted that the Village is currently negotiating a collective bargaining agreement with the Local Operating Engineers 150 and with the Fraternal Order of Police (FOP).</p> <p>All other Village employees are covered by an Employee</p>	<p>Each percentage increase in wages for employees not covered by a collective bargaining agreement requires a total increase of approximately \$110,691.</p>

	<p>Classification Schedule that classifies employee positions into a <i>pay grade</i>, numbered 2 through 24. Each Village employment position has been classified in a <i>pay grade</i> based on the unique technical requirements of the position. Each <i>pay grade</i> has a designated <i>wage range</i> that defines the minimum wage, midpoint of the range and the maximum wage for the <i>pay grade</i>. Each individual employee's wages are based upon the <i>pay grade</i> of their position and subsequently they are paid within the <i>wage range</i> based upon their experience and job performance. There are no automatic pay steps that increase employee wages based on length of service. It is a merit based system that is often considered the foundation for a pay-for-performance system. For employees covered by the Employee Classification Schedule, individual employee wages can be increased in May 2008 when it is determined by the supervisor, based, in part, on the employee's performance evaluation. In 2007, the average wage increase of all Village employees eligible for an increase was 3.63 percent. In 2008, Department Directors and the Village Manager's Office will continue to participate directly in evaluation of wage increases to more closely align any salary increases with the pay-for-performance system in alignment with the Strategic Plan.</p> <p>The <i>wage ranges</i> were last reviewed in 2005 and adjusted in May 2006, which resulted in various increases to the <i>wage ranges</i> from 5.2 to 7.7 percent.</p> <p>Funding has been placed in the Manager's Office contingency fund for pay-for-performance increases for those employees not covered by a collective bargaining agreement and for the collective bargaining agreements that are anticipated to be entered into on or before May 1, 2008. Funds are also in place for bonuses to be paid at the Director level and some upper management positions. Fire union wage increases are included in the recommended budget as are Police union wages through April 30, 2008.</p> <p>As a part of the Strategic Plan, in 2007 staff has identified and initiated at the Director's level a comprehensive review of both their job descriptions as well as their evaluation process. This was additionally translated to the balance of the organization prior to May 2007. In 2008, staff is continuing to work to enhance these changes and train supervisory staff and performance evaluation techniques.</p>	
<p>Organizational Improvements: General Management and Legislative Support</p>	<p>Addition of a part-time Document Management System Technician to provide electronic records retention services in the Village Clerk's Office.</p> <p>Funds are additionally included to allow for the Village to develop programs and activities for recognition of Volunteer Board & Commission members as well as staff.</p>	<p>Increase of approximately \$20,322 in salary/benefits.</p>
<p>Village Manager's Office</p>	<p>Funding for initiation of the Total Community Development (TCD) process starting in 2008.</p>	<p>Increase of approximately \$32,500 in professional services – one time expenditures.</p>

	<p>Funding for the Downers Grove Economic Development Corporation for tourism related activities has been provided in addition to the 50 percent of hotel tax revenues when they are contractually entitled.</p> <p>Funding for the Downers Grove Park District for Lyman Woods capital improvements.</p>	<p>Funding of \$150,000 above contractual obligations.</p> <p>One time expenditure of \$250,000.</p>
Organizational Improvements: Finance	The organizational chart has been updated to reflect the reporting structure established by the new Finance Director as well as the change of the Accounting Manager position to that of a Comptroller/Budget Officer.	Increase of approximately \$10,198 in salary/benefits.
Organizational Improvements: Information Services	Addition of an intern.	Increase of approximately \$5,646 in salary/benefits.
Organizational Improvements: Counseling & Social Services	Elimination of full-time Administrative Secretary II grade 6 position (\$36,743-\$50,022) and increase of 0.28 FTE for part-time grade 10 Counselor position to perform administrative and intake responsibilities.	Decrease of approximately \$25,000 in salary/benefits.
Organizational Improvements: Building Services Division	Addition of a part-time Building Maintenance Worker to provide custodial services at the new Fire Station 2.	Increase of approximately \$16,787 in salary/benefits.
Organizational Improvements: Community Development Department/Public Works Department	<p>The organizational chart has been updated to reflect the reporting structure established by the new Community Development Director as well as the change of the shift of two staff engineers from Public Works to Community Development. This will meet the Strategic Plan goal of streamlining the building permit process and enhance customer services with a one-stop shop concept. In addition, the shift of the staff engineers from the Public Works Department will allow for the elimination of a mid-level supervisory position (whose non-supervisory, engineering duties will be re-assigned to the Assistant Public Works Director).</p> <p>Permit review responsibilities and building construction inspection activities will be separated. This will improve accountability with the only reduction in staffing is the elimination of a currently vacant code enforcement position. While this position has been vacant for a number of months, the enforcement levels have increased in the Community Development Department.</p>	<p>Increase of approximately \$175,000 in salary/benefits in Community Development and a savings in salary/benefits in the Public Works Department of \$287,000 in salary/benefits.</p> <p>Reduction of approximately \$50,000 in salary/benefits.</p>
Organizational Improvements: Police	Addition of a part-time crossing guard.	Increase of approximately \$4,478 in salary/benefits
Organizational Improvements: Village Attorney	Addition of a part-time staff attorney (the position was added during 2007 calendar year, but is now formally included in the budget.)	Increase of approximately \$92,000 in salary/benefits
Organizational Improvements: Communications	Via a competitive bidding process, contract for development of a Downers Grove Brand, inclusive of a updated logo and related marketing items.	Increase of approximately \$100,000 – one time expenditure.
Organizational Improvements: Community Events	Funding increase for entertainment costs of contract vendors at Heritage Festival to keep pace with changes in the market.	Increase of \$50,000 for both Heritage Festival entertainment and the

	<p>Institutionalize the “Thursday” night concert at Heritage Festival, with the following conditions:</p> <ul style="list-style-type: none"> ▪ The selection of entertainment and contract would be at the sole discretion of the Village ▪ Based upon a competitive selection process, the Village would select a not-for-profit organization capable of managing ticket sales and event set-up for the “ticketed” concert, similar to the 175th Anniversary event. Some concert related expenses would be the responsibility of the not-for-profit, but the majority of proceeds from the ticket sales would be “granted” to the not-for-profit. 	Thursday night concert.
Organizational Improvements: Public Works	Start removal and replacement in FY08 of Ash trees located on Village property in select areas. Future year funding needs are identified at an average of \$540,000 per year as the Village projects the loss of 20 percent of all parkway trees due to the Emerald Ash Borer infestation.	Increase of approximately \$250,000 in FY 08. Increase for approximately 5 years.