

*Village of Downers Grove*

Village Manager's  
Budget Message



## Introduction

The Municipal Budget is the Village's annual implementation plan of its mission and strategic goals. The purpose of the budget is to align everyday operations and Village resources with community priorities shown in planning documents such as the Long-Range Plan and Comprehensive Plan. The FY14 Adopted Budget is consistent with the Village's strategic goals, specifically the Village's goal to be a *Steward of Financial Sustainability*.

The adopted budget was reviewed and discussed over several months in an open, transparent and participative process. The budget review process provides ample opportunity for dialogue among community members, the Village Council and staff in a series of public meetings and workshops.

### Budget Review and Approval Schedule

Budget Workshop	Saturday, October 5, 2013
Budget First Reading on Council Agenda	Tuesday, October 8, 2013
Continued Budget Discussion on Council Agenda	Tuesday, October 15, 2013
Coffee with the Council	Saturday, October 19, 2013
Public Hearing	Tuesday, November 5, 2013
Motion to Estimate Levy/Motion to Adopt Budget	Tuesday, November 12, 2013
Public Hearing - Tax Levy	Tuesday, December 10, 2013
Adoption of Tax Levy and Abatement of Debt Levies	Tuesday, December 17, 2013

### Village Budget Reflects Planning Documents and Reports

The Village's annual budget is the implementation document for plans and studies that have already been discussed or approved including:

- Long-Range Plan 2013-2015
- 2006 Stormwater Master Plan
- Comprehensive Plan
- 2010 Water Rate Study
- 2012 Stormwater Utility Study
- 2013 Flood Report
- Sidewalk Matrix
- Bicycle and Pedestrian Plan

## Summary

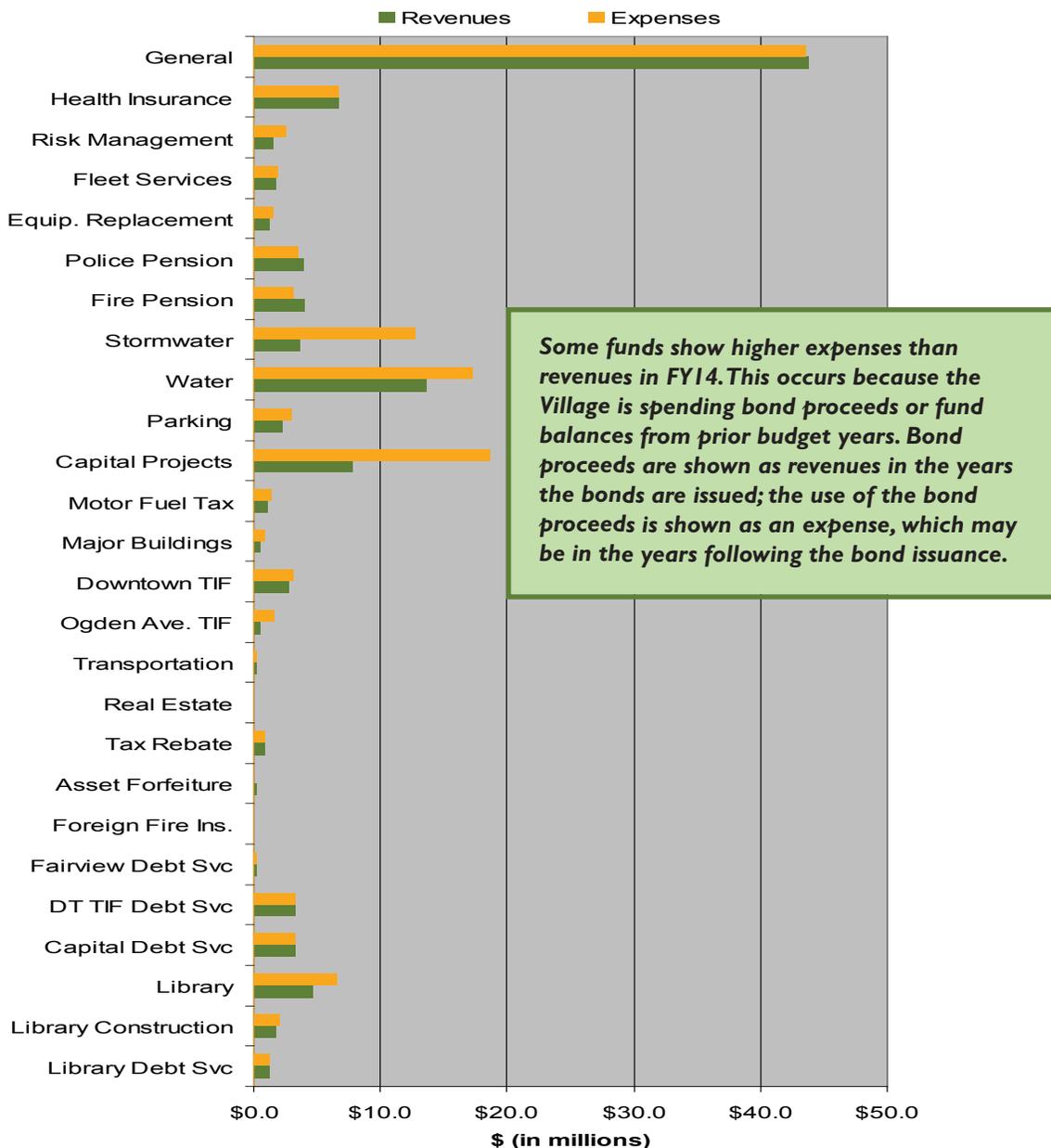
The FY14 Adopted Budget demonstrates a commitment to delivering exceptional municipal services at a value to residents, businesses and other stakeholders. The following key components are evidence of this commitment:

- **Sustainable General Fund:** The Village's General Fund is financially sound and sustainable, with expenses at \$43.70 million and revenues of \$43.79 million. *(See page 4-2.)*
- **Improved Use of Fund Balances and Reserves:** The budget calls for an increase in the fund balance in the Risk Management Fund and an expansion of the uses of this fund to include paying for unanticipated costs of emergency and disaster responses. \$4.2 million will be transferred from the General Fund to the Risk Management Fund in FY13. These actions increase the uses of fund balances and reserves and reduce the likelihood of budget amendments in the General Fund and Risk Management Fund. *(See page 4-46.)*
- **Implementation of the Patient Protection & Affordable Care Act:** Consistent with the Long-Range Financial Plan strategies identified in 2011, the Village has successfully controlled personnel related cost increases. The Village is well-prepared for the cost impacts of the Patient Protection and Affordable Care Act.
- **No Increase in Tax Levy for Operations:** The property tax levy for Village operations is the same in FY14 as it was in FY13. The levy for public safety pensions will increase. *(See explanation of tax levy on page 1-9.)*

- Continued Funding and Investment in the Stormwater Fund:** The budget includes funding for previously planned capital projects and new capital projects identified after the April 2013 flood, as well as funding for operations and maintenance as recommended in the 2012 Stormwater Utility Study. Stormwater Utility fees are proposed to increase by 6.4%. (See page 4-32.)
- Continued Investment in Infrastructure:** The Village will continue to invest in improving and maintaining its public infrastructure system including streets, sidewalks, and the stormwater and water systems. The FY14 Adopted Budget includes a \$20.5 million investment in streets, sidewalks and the water system. (See page 4-20.)
- Lower-than-anticipated Water Rate Increases:** Due to several factors including efficiencies in the maintenance of the water system, the budget calls for lower-than-planned water rate increases, while still maintaining the appropriate funding for capital improvements, operations and maintenance. (See page 4-38.)

The Village budget is comprised of 26 active funds. The total municipal budget for all funds is approximately \$111 million in revenues and \$139 million in expenses. Expenses will exceed revenues in FY14 due to the continued investment of bond proceeds into street, water and stormwater infrastructure improvements.

### All Funds Summary - Revenues and Expenses



# Sustainable General Fund

<p><b>Description</b></p>	<p>The General Fund is the major operating fund of the Village and includes funding for the majority of Village services. The adopted General Fund budget is sustainable and fiscally sound with expenses of approximately \$43.70 million and revenues of \$43.79 million. The General Fund derives its revenue from several sources, with the top four sources being property tax, sales tax, utility tax and state shared revenue (income tax).</p>
<p><b>Recent History</b></p>	<p>In the past four years, the Village made significant changes to the General Fund to reduce costs and address a substantial financial gap. From 2009 to 2012, the Village prepared the General Fund budgets based on the following strategies:</p> <ul style="list-style-type: none"> <li>• Increase operating efficiencies</li> <li>• Reduce personnel expenses</li> <li>• Partner with others</li> <li>• Enhance revenue base</li> </ul> <p>From FY09 to FY12, expenses increased at an average of 1.7% per year while revenues increased at an average of 3.7% per year, resulting in a \$3.7 million increase in the fund balance.</p>
<p><b>FY14 Budget Considerations</b></p>	<p>General Fund expenses are budgeted at \$43.70 million for FY14. Overall, General Fund expenses will increase 5.0% (\$2.07 million). The increase is primarily due to a mandatory increase in pension contributions resulting from revisions to actuarial calculations. If not for this increase, expenses would increase at a rate of approximately 3% over the FY13 adopted budget. This increase is consistent with the trends identified in the Long-Range Financial Plan.</p> <p><b>Personnel expenses</b>, including salaries, health benefits and post-employment benefits such as pensions, account for more than 78% of the General Fund. There are no new employees budgeted in the FY14 General Fund.</p> <p><b>Non-personnel expenses</b> are budgeted to increase by 4.2%.</p> <p><b>Revenues</b> are budgeted to increase by 6.46% over the FY13 budget (2.88% over the FY13 year-end estimate). The Village anticipates modest growth in sales tax, income tax, licenses, and permits. Consistent with Long Range Financial Plan strategies for the General Fund identified in 2010, user fees, licenses and permits found in the <i>User-Fee, License and Fine Schedule</i>, will be adjusted at a rate similar to personnel expenses to align with the costs of providing services. (See additional explanations of revenues on page 4-4.)</p> <p><b>The FY14 Beginning Fund Balance</b> will decrease by \$4.2 million to \$15.82 million due to a transfer to the Risk Management Fund (See Page 1-6).</p>

## General Fund Revenues & Expenses, FY08 to FY14 (in millions)

Fiscal Year	Revenue	Expenses	Difference	Fund Balance	Fund Balance % of Expenses
FY08 (Actual)	\$40.98	\$42.25	(\$1.27)	\$15.78	37.35%
FY09 (Actual)	\$38.95	\$39.28	(\$0.33)	\$15.44	39.31%
FY10 (Actual)	\$39.44	\$39.20	\$0.24	\$15.68	40.00%
FY11 (Actual)	\$41.86	\$40.33	\$1.52	\$17.20	42.65%
FY12 (Actual)	\$43.32	\$41.31	\$2.01	\$19.20	46.48%
FY13 (Estimate prior to Transfer to Risk Fund)	\$42.57	\$41.75	\$0.82	\$20.02	47.95%
FY13 (Estimate Including Transfer to Risk Fund)	\$42.57	\$45.95	(\$3.38)	\$15.82	34.43%
FY14 Budget	\$43.79	\$43.70	\$0.09	\$15.91	36.42%

The FY14 Adopted Budget aligns with the Long-Range Financial Plan goals to limit personnel-related cost increases. Employee wages are budgeted to increase by 2.9% while benefit expenses are budgeted to increase by 3.8%.

The non-personnel expenses in the adopted FY14 budget increase by approximately \$374,000 (4.2%). More than \$325,000 of this increase is due to:

- Contract for Downtown Snow & Ice Control - \$108,000 increase offset by reductions in personnel and equipment expenses.
- Additional Tree Removal and Replacement - \$55,000 increase for additional tree removal and replacement related to damage caused by the Emerald Ash Borer.
- High-Priority Action Items - \$50,000 for funding for the Sign Ordinance Enforcement and Customer Service Enhancement.
- Engineering Review Services - \$50,000 increase for additional review of stormwater permit applications by consultants. There is \$50,000 in additional building permit review revenue included in the budget to offset this expense.
- Wireless Alarm Expenses - \$40,000 increase for expenses to launch the wireless alarm program.
- Anti-Virus Software - \$25,000 increase to purchase anti-virus software. The software is purchased using a 3-year contract. The expenses for this contract will be paid in FY14.

## General Fund Expenses by Category FY13 vs. FY14

Category	FY13 Budget	FY14 Budget	Change	% Change
Personnel	\$32,706,054	\$34,399,433	\$1,693,379	5.18%
Non-Personnel	\$8,924,824	\$9,299,180	\$374,356	4.20%
Total	\$41,630,878	\$43,698,613	\$2,067,735	4.97%

## Breaking Down the General Fund Increase

The FY14 General Fund increases by approximately 5.0%. Personnel expenses are budgeted to increase by almost \$1.7 Million. More than one third of this amount is due to pension expenses. The Village's required contribution through the Police and Fire Pension Fund will increase by over \$583,000 (14%). (See pages 4.50 - 4.52) Without the increased cost of required pension contributions, this increase would be approximately 3%, which is consistent with the previously identified trend of 2-3% annual General Fund expense increases.

The FY14 Adopted Budget includes modest growth for revenues. The Village's major revenue sources are sales tax, property tax, utility taxes, and the state income tax, a revenue shared by the State of Illinois on a per capita basis. Since the recession that began impacting Village revenues in 2008, many of the Village's revenue sources have decreased or remained flat. Over the next few years, in line with trends discussed in Long-Range Planning, revenues are anticipated to grow slowly.

## Top Ten General Fund Revenues

Rank	Source	FY11 Actual	FY12 Actual	FY13 Budget	FY13 Estimate	FY14 Budget
1	Sales Tax	\$10,311,333	\$10,772,180	\$10,850,000	\$11,000,000	\$11,300,000
2	Property Taxes - Operations	6,720,950	6,728,915	5,847,145	5,847,145	5,847,145
3	Utility Taxes	5,571,335	5,690,708	5,505,000	5,505,000	5,505,000
4	Property Taxes - Pensions	4,109,732	3,747,734	4,188,032	4,188,032	4,771,379
5	State Income Taxes	3,787,095	4,203,160	3,990,000	4,300,000	4,400,000
6	Home Rule Sales Tax	971,936	1,862,873	1,950,000	1,950,000	1,975,000
7	Cellular Equipment Fees	1,057,074	1,105,625	1,148,813	1,149,850	1,195,844
8	Building Related Permits	1,089,621	1,445,137	900,000	1,044,152	1,023,000
9	Hotel Tax	795,531	832,460	800,000	850,000	860,000
10	Fines	732,241	706,717	760,000	760,000	760,000
	<b>Sub-Total</b>	<b>\$35,146,848</b>	<b>\$37,095,509</b>	<b>\$35,938,990</b>	<b>\$36,594,179</b>	<b>\$37,637,368</b>
	<b>All Other</b>	<b>\$6,710,765</b>	<b>\$6,227,865</b>	<b>\$5,692,157</b>	<b>\$5,973,575</b>	<b>\$6,155,451</b>
	<b>Total</b>	<b>\$41,857,613</b>	<b>\$43,323,374</b>	<b>\$41,631,147</b>	<b>\$42,567,754</b>	<b>\$43,792,819</b>

## Improved Use of Fund Balances and Reserves

<p><b>Description</b></p>	<p>The adopted budget calls for increasing the fund balance in the Risk Management Fund by transferring \$4.2 million from the General Fund in FY13 and expanding the use of the Risk Management Fund to pay for unanticipated costs of emergency and disaster responses. These actions will result in:</p> <ul style="list-style-type: none"> <li>• More predictable and stable expenses in the General Fund</li> <li>• Expanded use of fund balances and reserves in the Risk Management Fund</li> <li>• Reduction in the likelihood of a budget amendment when actual expenses exceed budgeted expenses in the General Fund and Risk Management Fund</li> <li>• Elimination of the negative fund balance in the Risk Management Fund</li> <li>• A balance in the General Fund consistent with the Village's cash balance policy</li> </ul>
<p><b>Recent History</b></p>	<p>The Village is self-insured for General Liability, Auto Liability and Workers Compensation. The Village purchases excess coverage for General/Auto Liability and Workers Compensation. The Village also purchases a stand-alone Property Insurance policy for Village-owned property.</p> <p>The 2013-2015 Long-Range Plan recommends that the Village use reserves and fund balances strategically to manage risk and increase the value of the reserves to fund Village operations.</p>
<p><b>FY14 Budget Considerations</b></p>	<p>The Village maintains reserves in both the General Fund and Risk Management Fund to pay for many types of expenses outlined in the table below.</p> <p><b>FY13 Transfer:</b> \$4.2 million would be transferred from the General Fund to the Risk Management Fund. The transfer would take place in FY13. <i>(See page 4-47, Line 12.)</i></p> <p>Prior to any transfer of funds, the balance in the General Fund is projected to be \$20 million, which is in excess of the Village's cash balance policy, and the balance in the Risk Management Fund is projected to be negative \$2 million. The negative fund balance is due to workers compensation and liability claim expenses that are required to be reserved in the fund, but may not actually be paid out until the claims are closed and final payments are made.</p> <p>After the transfer, the Risk Management Fund would have sufficient funds to respond to the types of expenses for which it is responsible; likewise, the General Fund would maintain a balance in line with the Village's cash balance policy and would have sufficient funds to respond to the risk of economic downturns, including unexpected loss of revenues and cash flow management.</p> <p><b>FY14 Budget:</b> The expenses in the Risk Management Fund are budgeted to increase from \$1.76 million in FY13 to \$2.55 million in FY14. The increase reflects a change in budgeting practice. <i>(See page 4-47, Line 23.)</i> Traditionally, the Village budgeted expenses in the Risk Management Fund are based on a predicted level of claims experiences. Actual claims related expenses vary greatly from year to year. This budgeting practice coupled with the varying claims expenses resulted in expenses exceeding the budgeted amount in approximately one out of every two years. The FY14 expenses are budgeted at a higher amount to reduce the likelihood of actual expenses exceeding the budgeted amount which would require a budget amendment.</p>

## Current and Proposed Funding Sources for Risk Related Expense

Type of Risk Expense	Current Funding Source	Proposed Funding Source
Economic Downturn / Unexpected Reduction of Revenues	General Fund	General Fund
Cash Flow Management	General Fund	General Fund
Catastrophic Events Affecting Revenues	General Fund	Risk Management Fund
Emergencies and Disasters	General Fund	Risk Management Fund
Workers Compensation Claims	Risk Management Fund	Risk Management Fund
General Liability Claims	Risk Management Fund	Risk Management Fund
Property Damage	Risk Management Fund	Risk Management Fund

### Implementation of the Patient Protection and Affordable Care Act

Health Insurance expenses in the General Fund are budgeted to increase by \$86,000 or 2.5% in FY14. Costs related to actual medical claims have remained stable from 2013 to 2014 and the increase is driven by taxes and fees imposed by the Patient Protection and Affordable Care Act (PPACA or “Healthcare Reform”) to which the Village, as a health insurance provider, is subjected. The fees and taxes, which began to take effect last year and increase in 2014, are based on the number of participants in the plan. Additional PPACA taxes, which are scheduled to take effect in 2018 (commonly known as the “Cadillac Tax”), are based on the cost of individual Village health insurance plans. Because the Village has been successful at controlling cost increases this year and will continue to implement strategies that improve employee well-being and drive down costs in the future, it is possible that the Village can avoid the Cadillac taxes in 2018 and beyond.

### What Does Self-Insured Mean?

The Village is self-insured for health insurance and risk. This means that it pays for claims (healthcare costs, workers compensation claims and other liabilities) from Village funds, rather than by paying premiums to an insurance company. The Village sets aside money each year to pay for claims.

The benefit of being self-insured is that the Village pays only its claims and administrative costs, rather than paying a premium to an insurance company that would include additional overhead costs and profit. Because it is more cost-effective to use an administrator for the self-insurance program, the Village contracts with Blue Cross Blue Shield for claims administration for health insurance. To protect against catastrophic loss, the Village carries stop-loss insurance.

## Property Tax Levy for Operations Unchanged

<p><b>Description</b></p>	<p>While the total municipal budget relies on several sources of revenue, the property tax levy is a significant source of funding. Property taxes account for approximately 24% of the General Fund budget. The Village's property tax is comprised of five components that support specific services and obligations of the Village. The two most significant components of the levy are the levy for operations and the levy for pension obligations.</p>
<p><b>Recent History</b></p>	<p>In FY13, the Village shifted stormwater management costs from the property tax levy to the stormwater fund using a separate stormwater utility fee. This resulted in a decline in the total property tax levy of \$1.98 million, or 15.2%.</p> <p>Since FY11, the Village's property tax levy for operations has been flat or decreased each year.</p>
<p><b>FY14 Budget Considerations</b></p>	<p><b>Equalized Assessed Valuation:</b> Based on conversations with the Township Assessor's Office, the total Equalized Assessed Valuation of all taxable property located within the Village is expected to decline by 5% from \$2.14 billion to \$2.03 billion.</p> <p><b>Operations:</b> The Village's tax levy for operations will not increase in FY14. Therefore, this is the fourth consecutive year of a flat or decreasing levy for Village operations. This reflects the Village's commitment to controlling operating expenses and aligns with Long-Range Plan strategies.</p> <p><b>Pensions:</b> Due to revised mortality tables in the Police and Fire pension funds and a decrease in the investment return assumption in the actuarial report of .25% in the Fire Pension Fund, the levy for police and fire pensions will increase by \$583,346 or 13.93%. Pursuant to state law, the Village is required to levy these amounts to ensure the pension funds are funded according to the state requirements and per the results of actuarial studies.</p> <p><b>SSA #6:</b> The proposed new Special Service Area for the unincorporated area northeast of the Village boundary will resolve a growing gap between the cost of providing fire protection and emergency medical services to the area. The gap in revenue collected by the Fairview Fire Protection District and from direct billing to property owners receiving Village services will also be reduced. The Special Service Area, when implemented, will generate an additional \$40,000 annually.</p>

### Village Property Tax Levy FY13 vs. FY14

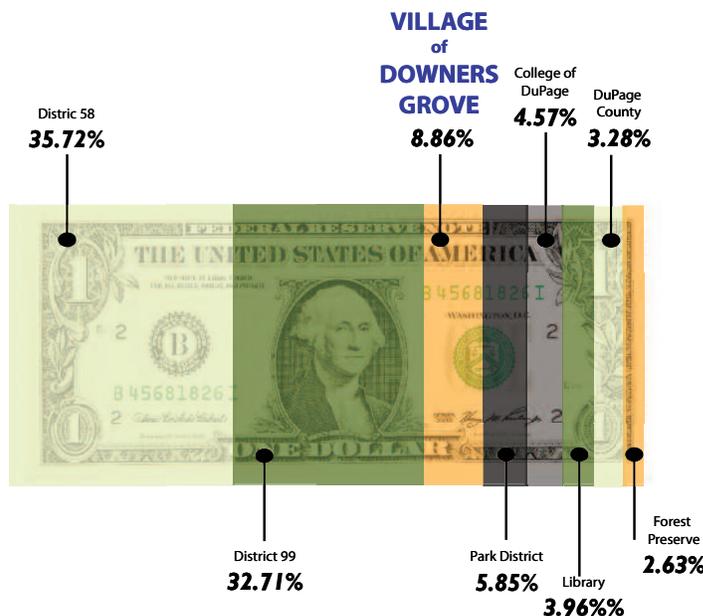
Levy Component	FY13	FY14	Change
Corporate Levy	\$2,997,145	\$2,997,145	No Change
Fire Protection	\$2,850,000	\$2,850,000	No Change
Fire Pension	\$2,244,196	\$2,467,520	\$223,324
Police Pension	\$1,943,836	\$2,303,858	\$360,022
Capital	\$971,524	\$971,524	No Change
<b>Total</b>	<b>\$11,006,701</b>	<b>\$11,590,047</b>	<b>\$583,346</b>

### Village Tax Levy on a Typical Residential Property

In 2013, a typical residential property with a market value of \$300,000 paid \$520.20 to the Village. The value of the same property is expected to decline by 5% in 2014 to a market value of \$285,000 resulting in \$547.77 paid to the Village.

	FY13	FY14	Difference
Equalized Assessed Value	\$100,000	\$95,000	(\$5,000)
Village Tax Rate	0.5202	0.5766	0.0494
Village Tax Amount	\$520.20	\$547.77	\$27.57

The Village portion of the property tax bill is generally about 9% of the total tax bill. Below is a breakdown of the percentage of distribution to local government entities from a typical tax bill. This information, as well as the property tax history for each parcel, is available on the DuPage County website at [www.dupageco.org](http://www.dupageco.org).



## 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.

### 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. The Village makes an annual contribution to each pension fund. The amount is based on an actuarial calculation that is arrived at 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.

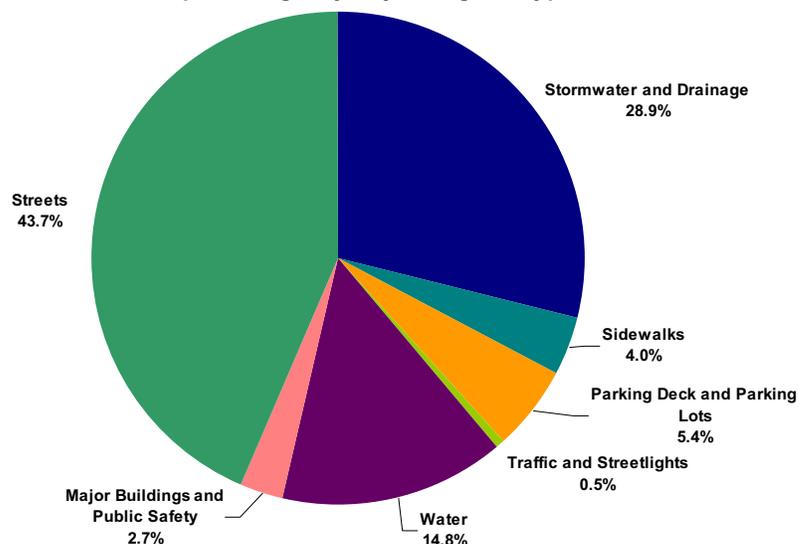
### What Does "Pension Levy" Mean?

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.

## Infrastructure Budget

The Village's strategic goal to provide *Top Quality Infrastructure* requires a commitment to ongoing investment in maintenance, as well as in replacement or new infrastructure as necessary. In 2010, when revenues were impacted by the recession, the Village continued making investments in infrastructure, instead of diverting funding to cover the cost of operations. This approach was one of many commitments the Village made to sustainability in its infrastructure, which includes the stormwater system, the water system, streets and sidewalks. The budget calls for continued investment in infrastructure. The investment allocation by program type is shown below.

FY14 Capital Budget by Major Program Types



## Continued Funding and Investment in the Stormwater Fund

<p><b>Description</b></p>	<p>The Village maintains a stormwater system consisting of 7,000 drainage structures and more than 280 miles of streams, ditches and pipes. The recommended level of service for maintenance of the stormwater system was established in the Stormwater Master Plan, which was created in 2006 and confirmed in 2012 in the Stormwater Utility Study. In 2013, the Village implemented the stormwater utility, which created an enterprise fund for all stormwater management expenses.</p> <p>The stormwater utility is an equitable method of collecting revenue that assesses a fee to each property owner based on the property's impact to the stormwater system, measured by the amount of impermeable surface area on the property. The stormwater utility also provides credits and incentives to reduce the cost of the stormwater fee for property owners who take actions to reduce runoff from their property.</p>
<p><b>Recent History</b></p>	<p>Between 2008 and 2013, the Village completed 26 stormwater management infrastructure projects at a cost of more than \$20.3 million. These projects included storm sewer rehabilitation and replacements, as well as new stormwater detention projects. The projects were primarily financed by the \$25 million 2008 bond issuance resulting in debt service payments of \$1.1 million per year.</p> <p>In FY13, the Village will collect approximately \$3.4 million in stormwater fees, with net revenues of \$3.3 million after credits and incentives. Expenses in the stormwater fund will total \$7.3 million, reflecting debt service payments and spending-down of the existing fund balance, in addition to the use of revenues collected in 2013 for capital projects, operations and maintenance.</p>
<p><b>FY14 Budget Considerations</b></p>	<p><b>MFSG Study Recommended Fee Increase -</b> In 2012, the Village worked with consultant Municipal and Financial Services Group to create a plan for the implementation of the stormwater utility. The plan called for a stormwater fee that would cover the cost of future capital projects, debt service related to those projects, as well as operational and maintenance costs.</p> <p>The MFSG study recommended establishing fees to pay for operations, maintenance and capital projects. The fees in the study did not include paying for the annual payments on the 2008 bond issuance. The study recommended an 11% annual increase in the fee over 15 years to reach the level of maintenance and future capital needs recommended in the Stormwater Master Plan. The Village established fees to fund all aspects of stormwater management including the debt service payments on the 2008 bonds of \$1.1 million per year, fully shifting all stormwater management costs to the utility and away from the property tax levy. When considering these two components, the equivalent recommended fee increase from 2013 to 2014 would be 6.4%.</p> <p><b>Proposed Budget Fee Increase -</b> The FY14 Adopted Budget includes a stormwater utility fee increase of 6.4% or \$0.54 per equivalent runoff unit (ERU) per month. The increase is necessary to continue with the capital improvements and on going maintenance required for the sustainability of the stormwater system, as well as funding for the design and construction of projects recommended in the <i>Storm Report</i> issued after the April 2013 flood. (See page 4-34 for a list of budgeted stormwater projects.)</p> <p><b>Project Management Staffing -</b> The recommended fee increase includes funding for one additional stormwater engineer to meet the increased demand for project management and customer service related to stormwater and drainage projects. This position may be a new employee or contract employee.</p>

## Effect of Recommended Stormwater Fee Increase

Single Family Residential	2013 Fee	2014 Recommended Fee
Typical Residential Property	\$8.40 per month	\$8.94 per month
(2,501 - 4,000 s.f. of impervious area) = 1 ERU	\$100.80 per year	\$107.28 per year

## Continued Investment in Infrastructure

In addition to the stormwater system, the Village has capital and maintenance needs in streets, water and the sidewalk system. Similar to the stormwater plan, capital improvements in the FY14 budget are consistent with previously established plans, including the Water Rate Study (2010), the Long-Range Financial Plan (2011) and the Sidewalk Matrix.

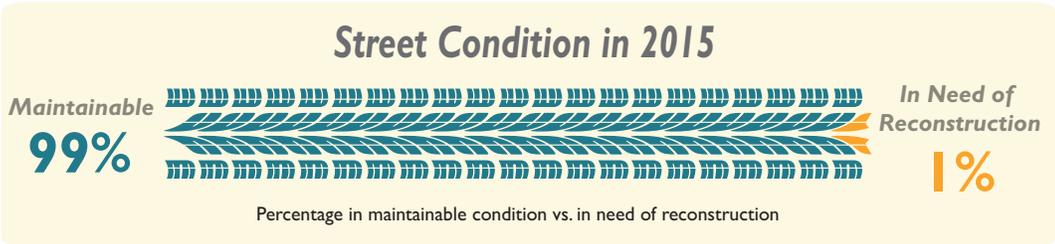
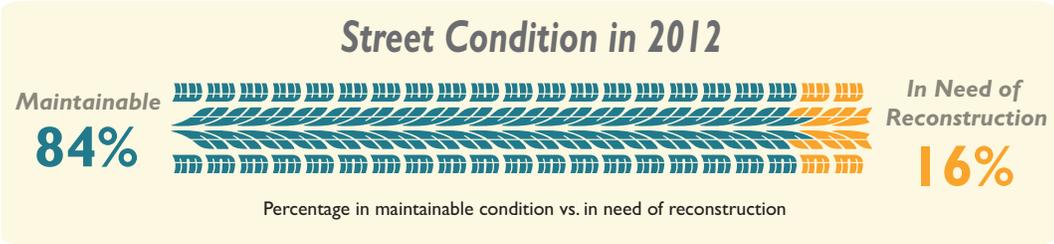
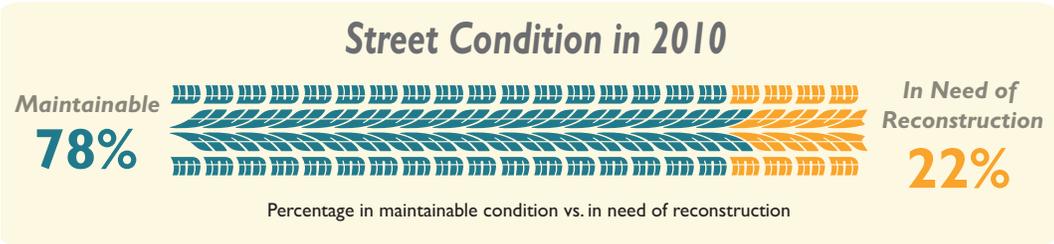
<b>Description</b>	In addition to the stormwater system, the Village maintains a water utility, a street system and a sidewalk system.
<b>Recent History</b>	<p>Throughout the Village's Long-Range Planning processes, sustainable funding for infrastructure has been a priority.</p> <p><b>Water</b> - In 2011, the Village adopted a new water rate structure that increased rates and added a fixed meter charge to cover the cost of maintaining the water system. The water rates have further been increased to cover the increased costs of water passed on by the City of Chicago. The water rate increases have allowed the Village to finance necessary capital improvements and on going maintenance.</p> <p><b>Streets</b> - In 2010, the Village assessed its existing streets and found that 22% of streets were in an unmaintainable condition. In FY13, the Village invested \$10.5 million in street reconstruction and maintenance (resurfacing and other maintenance activities) to bring streets up to a maintainable condition.</p> <p><b>Sidewalks</b> - In FY13, the Village invested \$900,000 in the sidewalk system, of which \$600,000 was for the construction of new sidewalks to move the Village further toward its goal of constructing a sidewalk on at least one side of every street in the Village.</p>
<b>FY14 Budget Considerations</b>	<p>The FY14 Adopted Budget includes \$20.5 million for continued investment in the Village's water, streets and sidewalk systems.</p> <p><b>Water</b> - The plan for the Village's water utility calls for a 14% increase in water rates to cover the cost of increased maintenance of the water system. Due to lower than anticipated costs in operations and maintenance projects that have allowed the Village to build a strong fund balance, the FY14 proposed budget reduces the recommended increase for the per-unit charge from 14% to 7%. The fixed meter charge will be increased as anticipated. <i>(For a list of budgeted water projects, see page 4-38.)</i></p> <p><b>Streets</b> - The Village will continue with street reconstruction projects that are necessary to bring the remainder of streets up to a maintainable condition. In FY14, street reconstruction is scheduled for the Esterbrook and Downers Grove Estates subdivisions, as well as on Maple Avenue from Fairview Avenue to Cumnor Road and in the area of Brook Drive and Center Circle for a total of 4 miles. In addition, the Village will perform maintenance activities on more than 10 miles of streets. Street reconstruction projects are funded by the 2012 bond issuance; maintenance activities are funded by the Motor Fuel Tax, Home Rule Sales Tax and Local Gasoline Tax. <i>(For a list of street projects, see page 4-22.)</i></p> <p><b>Sidewalks</b> - In FY14 the budget includes \$650,000 for new sidewalk construction, \$200,000 for sidewalk maintenance and \$350,000 for crosswalk and accessibility improvements. <i>(See page 4-22.)</i></p>

### Improving the Streets in Downers Grove

There are two major categories of street condition: Maintainable and In Need of Reconstruction. Maintainable condition refers to a street that is crackfilled, patched and resurfaced on a regular schedule, allowing it to continue to function. Streets that do not receive that level of maintenance investment eventually fall into the category of In Need of Reconstruction. This means that the pavement has failed and is not salvageable. Reconstruction is the most expensive and disruptive type of pavement project and it is four times as expensive to reconstruct a street segment as it is to maintain it regularly.

The Village is currently in the process of bringing all of its streets up to Maintainable condition by 2015. At that point, fewer than 1% will be considered failed. The existing level of funding for infrastructure maintenance is insufficient to maintain this level of maintenance and without additional funding, a significant portion of the Village's street segments will need reconstruction by 2040. An additional \$1.2 million in annual funding will keep 99% of street segments in Maintainable condition.

The charts below show how the Village has improved the condition of streets since 2010. During the Long-Range Plan process, the Village identified existing revenue sources that can be reallocated to street maintenance beginning in 2015.



## Effect of Water Rate Increase on Typical Resident

The impact of the water rate increase is shown below. The typical home uses 15 units bi-monthly. In 2014, this user would pay \$6.15 more per billing cycle (every other month) for a total of an additional \$36.90 per year. In 2013, the Village promoted water conservation heavily in its social media outlets and in other publications. Following the tips offered by the Village would help residents reduce the impact of this increase.

### Typical Residential User - Bi-Monthly Bill

	2013 Typical Bill	2014 Bill (Previous Plan)	2014 Bill (Revised Recommendation)
Typical Residential User (15 units bi-monthly, 5/8" Fixed Meter Charge)	\$83.85	\$95.10	\$90.00

## Funding for High-Priority Action Items

During the Long-Range Plan process, the Village Council prioritized action items to further the goals of the Council. The FY14 Budget provides resources to accomplish High Priority Action Items.

Action Item	Funding
Complete Facilities Sustainability Plan and implementation	This project will be completed by staff. No specific additional funding is required.
Continue to improve resident engagement and communication	\$20,000 is included in the General Fund for a consultant to assist the Village with identifying a solution for customer service and coordinated multi-departmental response
Develop an Employee Compensation strategy	This project will be completed by staff. No specific additional funding is required.
Enforce the Sign Ordinance Amortization compliance deadline	\$30,000 is included in the General Fund for professional services for enforcement and prosecution for violations
Lead role in partnerships and cooperation	This project will be completed by staff. No specific additional funding is required.
Negotiate Collective Bargaining Agreements	This project will be completed by staff. No specific additional funding is required.

## Projected Impact of FY14 Budget on Typical Home

There are three components of revenues increases that would impact the typical home in FY14: property tax, water fees and stormwater fees. Below is a table showing the projected total impact to the typical home.

Category	Annual Increase
Property Tax	\$27.57
Stormwater Fee	\$6.48
Water Fees	\$36.90
<b>TOTAL ANNUAL IMPACT OF BUDGET</b>	<b>\$70.95</b>

## Risks to the Adopted Budget

As discussed during the Long-Range Plan process, the Village faces an on-going risk that the State of Illinois will decrease or eliminate funding to municipalities currently provided through the Local Government Distributive Fund. The Village currently receives approximately \$4 million in a per-capita share of the State's Income Tax. Additionally, while the revenue increases are conservative, there is a chance that the economic recovery could slow, reducing revenues below budget.

Staff will monitor and report revenue performance to the Village Council as necessary throughout 2014. If revenues fall short of the budget, the Village should be ready to discuss amendments to the budget at any time during 2014. The amendments, if necessary, could reduce expenses, increase use of reserves or add revenue enhancements.

## Conclusion

The FY14 Adopted Budget represents an annual operating plan consistent with the Village's goal of financial sustainability. The budget is highlighted by the following points:

- Sustainable General Fund Budget
- Improved Use of Fund Balances and Reserves
- Implementation of the Patient Protection & Affordable Care Act
- No Increase in Tax Levy for Operations
- Continued Funding and Investment in the Stormwater Fund
- Continued Investment in Infrastructure
- Lower-than-anticipated Water Rate Increases