

# *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 outlined in planning documents such as the Long-Range Plan and the Comprehensive Plan. It also includes shorter term priority action items identified by the Village Council. The FY15 Proposed Budget is consistent with the Village's strategic goals, specifically the goal to be a *Steward of Financial Sustainability*.

The Proposed Budget is a starting point for council discussion. The budget will be 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

Saturday Budget Workshop (Fire Station 2)	Saturday, October 11
Budget First Reading at Village Council Meeting	Tuesday, October 14
Budget Coffee with the Council (Fire Station 2)	Saturday, October 18
Budget Discussion at Regular Council Meeting (If Necessary)	Tuesday, October 21
Public Hearing	Tuesday, November 4
Motion to Estimate Levy/Budget Adoption	Tuesday, November 11
Tax Levy Public Hearing	Tuesday, December 2
Adopt Tax Levy	Tuesday, December 9

## 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
- Comprehensive Plan
- 2014 Stormwater Project Analysis
- 2013 Flood Report
- 2012 Stormwater Utility Study
- 2010 Water Rate Study
- 2006 Stormwater Master Plan
- Sidewalk Matrix
- Bicycle and Pedestrian Plan
- Downtown Parking Plan

# Summary

The FY15 Proposed Budget demonstrates the Village's commitment to continuous improvement and innovation as well as to the provision of exceptional municipal services at a value to residents, businesses and other stakeholders. The following key components are evidence of this commitment:

**A. Property Tax Levy Decrease:** As proposed, the Village's property tax levy would decrease by nearly \$180,000 (1.55%) in FY15. The public safety pension levies will be lowered due to strong investment returns. All other levy components are proposed to remain unchanged from FY14. *(See page 4-2.)*

**B. Sustainable General Fund:** The Village's General Fund is financially sound and sustainable, with proposed expenses and revenues of \$44.8 million, demonstrating a commitment to cost containment and continued modest revenue growth. *(See page 4-2.)*

**C. Staffing Reduced:** In the Proposed Budget, the Village would reduce its total full-time equivalent (FTE) staff by 3.6 positions in FY15. The reduction is due in part to the elimination of 3.4 FTE bus driver positions as the Grove Commuter Shuttle service will be operated by PACE using a third party contractor and the elimination of the vacant Community Development Director position as these job responsibilities were assigned to the Planning and Building Division Managers. Since 2009, the Village has reduced staffing by over 37 FTE positions.

**D. Continued Investment in Infrastructure:** The Village will continue to make major investments in the Village's infrastructure, including \$9.5 million in streets, \$4.6 million in stormwater and \$5.6 million for water. The budgeted investments in infrastructure follow the plans previously created by the Village Council. The improvements are designed to reduce the total life cycle cost of owning and operating the infrastructure systems. *(See page 6-2.)*

**E. Funding for Priority Action Items:** The FY15 Proposed Budget provides funding for the priority action items identified by the Council to be completed in 2015.

The Village budget is comprised of 24 active funds. The total budget for all funds is approximately \$126.4 million in revenues and \$135.0 million in expenses. Expenses will exceed revenues in FY14 due to planned spending down of accumulated fund balance and the continued investment of bond proceeds into street, water and stormwater infrastructure projects.

## Transportation Fund Eliminated -

The Transportation Fund has been eliminated because the Village will no longer operate the Grove Commuter Bus Shuttle, the only service provided by this fund. In 2014, the Village took two major steps regarding this service:

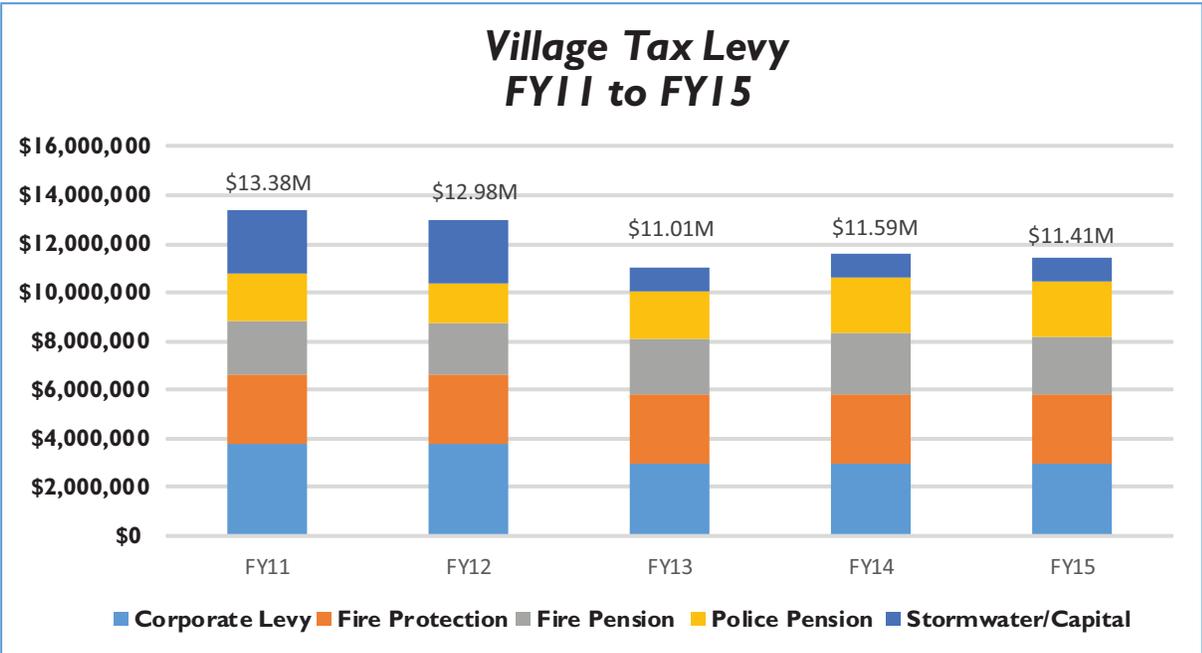
- 1) Used a portion of the General Fund balance to eliminate a \$1.9 million deficit in the Transportation Fund, a result of several years during which the cost of providing the service exceeded available revenues, and
- 2) **Terminated an agreement with PACE** to manage the service on PACE's behalf. The existing commuter shuttle routes will be served by a private PACE contractor and there will be no impact to commuters.

# Property Tax Levy Decrease

<b>Description</b>	<p>The total municipal budget relies on several sources of revenues, but the property tax levy is one of the most significant sources of funding. Property taxes account for approximately 23% 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>
<b>Recent History</b>	<p>Since FY11, the Village's property tax levy for operations has been flat or decreased each year.</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>
<b>FY14 Budget Considerations</b>	<p><b>Equalized Assessed Valuation:</b> Based on conversations with the Township Assessor's Office, the total Equalized Assessed Valuation of all taxable property in the Village is expected to remain approximately the same.</p> <p><b>Operations:</b> As proposed, the property tax levy for operations will not increase in FY15. This would be the fourth consecutive year of a flat or decreasing levy for operations. This reflects the Village's commitment to controlling operating expenses and aligns with the Long Range Plan strategies.</p> <p><b>Pensions:</b> Due to strong investment returns exceeding return expectations, the property tax levies for the Police and Fire Pension Funds will decrease by nearly \$180,000. (See page 4-4.)</p>

## Proposed Village Tax Levy

Under the proposed budget the total tax levy would decrease for the third time in four years.



## Village Property Tax Levy FY14 vs. FY15

The components of the tax levy are shown in the table below.

Tax Levy Component	FY14	FY15	Change	Percent Change
Corporate Levy	\$2,997,145	\$2,997,145	--	--
Fire Protection	\$2,850,000	\$2,850,000	--	--
Fire Pension	\$2,467,520	\$2,330,108	(\$137,412)	(5.57%)
Police Pension	\$2,303,858	\$2,261,516	(\$42,342)	(1.84%)
Capital	\$971,524	\$971,524	--	--
<b>Total</b>	<b>\$11,590,047</b>	<b>\$11,410,293</b>	<b>(\$179,754)</b>	<b>(1.55%)</b>

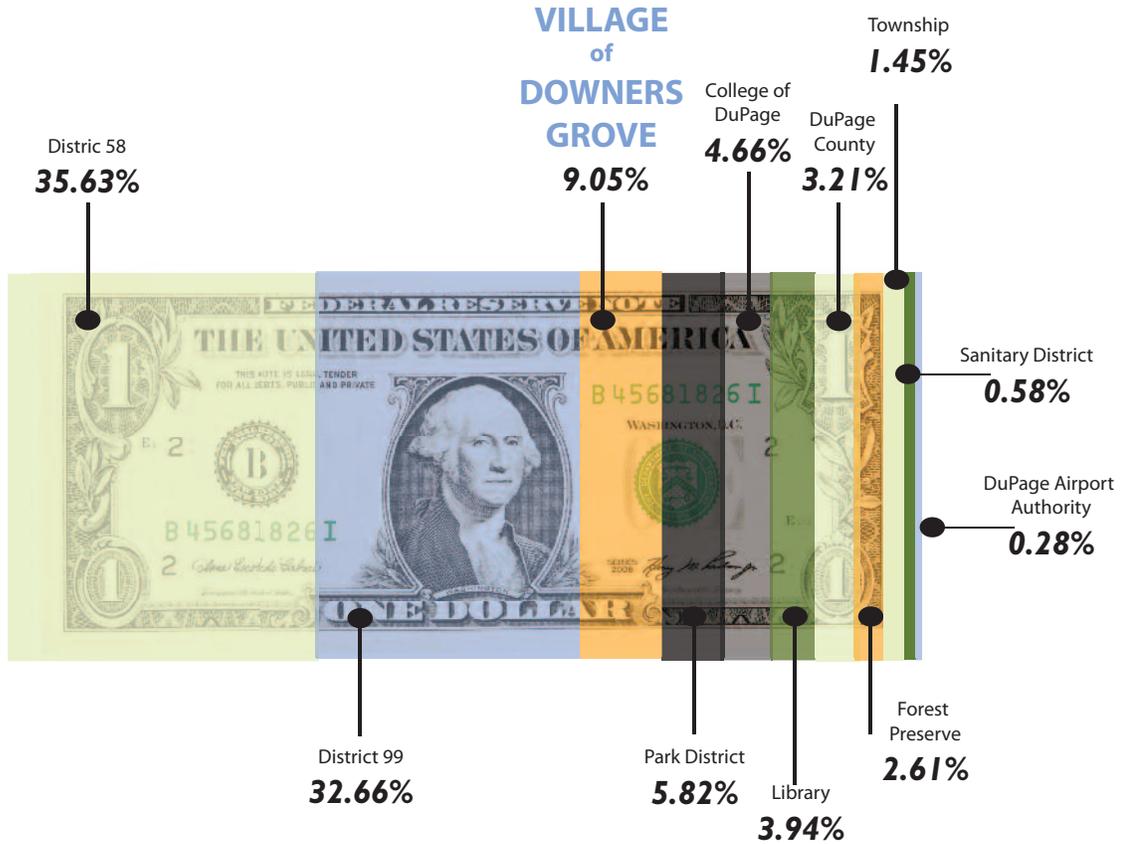
## Impact of Proposed Tax Levy on a Typical Residential Property

In 2014 a typical residential property with a market value of \$300,000 paid \$574.30 to the Village. The taxable value of the same property is expected to remain unchanged in 2015. With the reduction in the Village property tax levy, a typical residential property would be expected to pay about \$565.40 in Village property taxes, a reduction of \$8.90.

	FY14	FY15	Difference
Equalized Assessed Value	\$100,000	\$100,000	--
Village Tax Rate	.5743	.5654	(.0089)
Village Tax Amount	\$574.30	\$565.40	(\$8.90)

## Property Tax Breakdown

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. The information, as well as the property tax history of each parcel, is available on the DuPage County website at [www.dupageco.org](http://www.dupageco.org).



# Sustainable General Fund

<p><b>Description</b></p>	<p>The General Fund is the main operating fund of the Village and includes funding for the majority of Village services. The proposed General Fund budget is sustainable and fiscally sound with revenues and expenses of \$44.8 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>Since 2009, the Village eliminated a structural gap in the General Fund by reducing staffing levels, implementing cost-cutting process improvements including significant savings in the areas of Fleet management and special events, and controlled health expenses.</p> <p>Revenues increased 15.09%, an average of 2.51% per year, driven by increases in the distributed state income tax (19.94% increase since 2009), sales tax (15.04% increase since 2009) and some large one-time revenues due to commercial redevelopment. As a result, the Village established a strong fund balance of \$20.4 million in FY13.</p> <p>The Village used \$3.8 million of the fund balance to eliminate the Transportation Fund accumulated deficit and to reduce the cash deficit in the Risk Fund (<i>see Long Range Plan page 6</i>). The Village will add approximately \$300,000 to the General Fund Fund Balance at the end of FY14. The projected fund balance will be 38% of 2015 expenses, within the Village's policy and consistent with the LRP strategy to keep a <b>AAA bond rating</b>.</p>
<p><b>FY15 Budget Considerations</b></p>	<p>As proposed, the General Fund expenses would increase by 2.6% compared to the FY14 budget and 2.1% compared to FY14 estimated expenses prior to transferring funds to the Risk Fund and Transportation Fund. (<i>See page 4-3.</i>)</p> <p>Personnel expenses, including salaries, health benefits and post-employment benefits such as pensions, account for about 77% of the General Fund. Personnel expenses would increase by .21% over the FY14 budget.</p> <p>As proposed, non-personnel expenses would increase by 11.29%.</p> <p>Revenues are budgeted to increase by 2.4% over the FY14 budget and 1.3% over the FY14 estimated revenues. The Village anticipates moderate growth in sales tax, income tax, licenses and permits. Consistent with the Long-Range Plan, user fees, licenses and permits will be adjusted at a rate similar to personnel expenses to align with the costs of providing services. (<i>See page 4-4.</i>)</p>

**Proposed General Fund Revenues & Expenses, FY10 to FY15 (in millions)**

	Revenue	Expenses	Difference	Fund Balance	Fund Balance % of Expenses
<b>FY10 (Actual)</b>	\$39.44	\$39.20	\$0.24	\$15.68	40.00%
<b>FY11 (Actual)</b>	\$41.86	\$40.33	\$1.52	\$17.20	42.65%
<b>FY12 (Actual)</b>	\$43.32	\$41.31	\$2.01	\$19.20	46.48%
<b>FY13 (Actual)</b>	\$43.56	\$42.33	\$1.23	\$20.43	48.26%
<b>FY14 Budget</b>	\$43.79	\$43.70	\$0.09	\$15.91	36.42%
<b>FY14 Estimate Prior to Risk &amp; Transportation Fund Transfers</b>	\$44.24	\$43.91	\$0.33	\$20.76	47.28%
<b>FY14 Estimate Including Risk &amp; Transportation Fund Transfers</b>	\$44.24	\$47.71	(\$3.47)	\$16.97	38.65%
<b>FY15 Proposed Budget</b>	\$44.82	\$44.82	--	\$16.97	37.88%

**Proposed General Fund Expenses by Category FY14 vs. FY15**

Category	FY14 Budget	FY15 Budget	Change	% Change
<b>Personnel</b>	\$34,399,433	\$34,473,223	\$73,790	0.21%
<b>Non-Personnel</b>	\$9,299,180	\$10,349,039	\$1,049,859	11.29%
<b>Total</b>	\$43,698,613	\$44,822,262	\$1,123,649	2.57%

The FY15 Proposed Budget aligns with the Long-Range Plan goal to limit personnel-related cost increases. Employee wages are budgeted to increase by 3.0% while benefit expenses are budgeted to increase by 3.8%. The Village will see a decrease in annual pension contributions to for Police and Fire (\$180,000) due to very favorable investment returns and IMRF (\$350,000) due to the expiration of early retirement incentives offered to some employees in the early 2000s.

Pursuant to the strategy outlined in the Long-Range Plan, the Proposed Budget includes an increase in the annual contribution to the Risk Fund in FY15. This annual contribution of \$1.3 million is considered a non-personnel expense. (See page 4-8.)

Other increases in non-personnel related expenses include \$150,000 for an upgrade to the in-car camera system in the Police Department. This cost is offset by revenues from DUIs.

These increases would be offset by decreases for Emerald Ash Borer costs which are now being budgeted in the Capital Fund, and in most other non-personnel accounts due to Lean improvements throughout the organization. (See EAB Report.)

## Top Ten General Fund Revenues

RANK	SOURCE	FY 2012 Actual	FY 2013 Actual	FY 2014 Budget	FY 2014 Estimate	FY 2015 Budget
1	Sales Tax	\$10,772,180	\$11,345,002	\$11,300,000	\$11,600,000	\$11,850,000
2	Property Taxes- Operations	\$6,728,914	\$5,898,786	\$5,847,145	\$5,847,145	\$5,847,145
3	Utility Taxes	\$5,690,708	\$5,275,316	\$5,505,000	\$5,258,000	\$5,440,000
4	State Income Tax	\$4,203,160	\$4,557,546	\$4,400,000	\$4,570,000	\$4,750,000
5	Property Taxes- Pensions	\$3,747,734	\$4,218,455	\$4,771,378	\$4,771,378	\$4,591,624
6	Home Rule Sales Tax	\$1,862,873	\$1,909,870	\$1,975,000	\$1,975,000	\$2,000,000
7	Building Related Permits	\$1,445,138	\$1,234,564	\$1,023,000	\$1,250,000	\$1,250,000
8	Cellular Equipment Rental Fees	\$1,105,625	\$1,175,653	\$1,195,844	\$1,200,000	\$1,128,000
9	Ambulance Fees	\$1,112,859	\$1,060,869	\$1,100,000	\$1,100,000	\$1,107,000
10	Hotel Tax	\$832,460	\$851,675	\$860,000	\$860,000	\$860,000
	<b>Sub-total</b>	\$37,501,651	\$37,527,736	\$37,977,367	\$38,431,523	\$38,823,769
	<b>All Other Total</b>	\$5,821,723	\$6,030,308	\$5,815,451	\$5,807,517	\$6,000,855
	<b>Total General Fund Revenues</b>	\$43,323,374	\$43,558,044	\$43,792,818	\$44,239,040	\$44,824,624

# Staffing Reduction

<b>Description</b>	Personnel expenses make up approximately 77% of total expenses. The Village continually seeks to reduce or control personnel expenses by seeking alternative service providers, consolidating functions with other entities or using technology to make existing employees more efficient.
<b>Recent History</b>	Since 2009, the Village has reduced its total staffing by 37.2 FTEs from 366.5 to a proposed 329.3 in FY15. This was accomplished through various methods, including attrition, involuntary reductions in staff, and consolidation of services with other entities.
<b>FY15 Budget Considerations</b>	<p>The Proposed Budget would reduce the total number of FTEs by 3.6 over the FY14 total. This is a result of the following actions:</p> <ul style="list-style-type: none"> <li>• The transition of Grove Commuter Shuttle to a PACE operated system resulted in the elimination of 3.4 part-time bus driver positions.</li> <li>• The elimination of the vacant Community Development Director position. The responsibilities previously assigned to this position have been reassigned to the Building Division Manager and the Planning Manager. Additional assistance in building permit plan review, building inspections and code enforcement inspections will be provided using private sector contractors.</li> <li>• Addition of a Management Analyst position in the Village Manager's Office - Using a portion of the funds made available by the elimination of the Community Development Director position, the FY15 budget includes a Management Analyst position that will support key functions in most Village departments.</li> </ul>

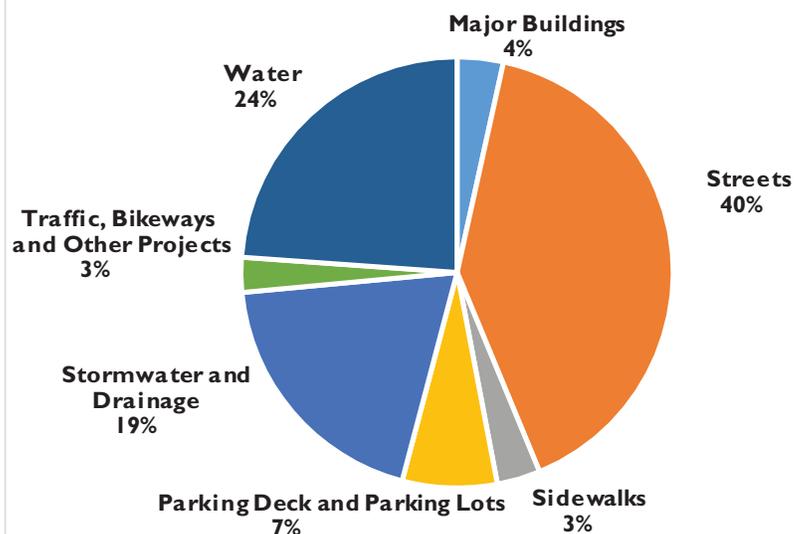
## Improved Efficiency Community Development

In support of the Village's Long-Range Plan goal to reduce personnel costs and increase operating efficiencies, the Village implemented a plan to improve Community Development Department services by eliminating a director-level vacancy, reassigning responsibilities and adding resources for building permit plan review, building inspections and code enforcement. The plan will allow the Village to continue to provide existing service levels at a lower overall cost by using part-time employees and private contracted firms. This approach allows the department to be more flexible and well-positioned to respond to changes in building permit activity and seasonal staffing demands.

## Continued Investment in Infrastructure

The Village's strategic goal to provide *Top Quality Infrastructure* requires a commitment to ongoing investment in maintenance, as well as investment in replacing or building new infrastructure. Since 2010, the Village has created and followed plans for sustainable funding for infrastructure. As a result, the Village has made major investment in streets, the stormwater system, the water systems and sidewalks. The FY15 proposed budget calls for continued investment in infrastructure. The investment allocation is shown to the right. (See section 6.)

**FY15 Capital Budget by Major Program Type**

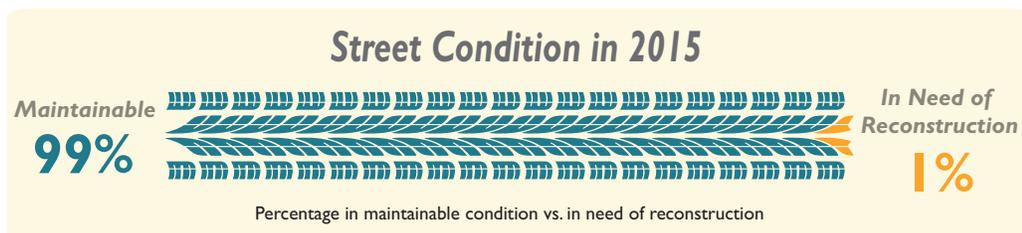
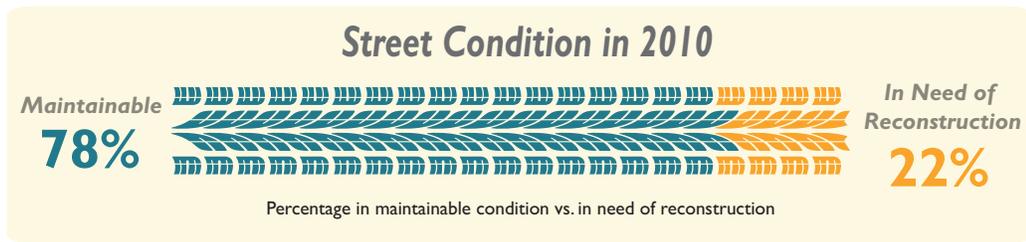


<p><b>Description</b></p>	<p>The Village maintains several major infrastructure systems: streets, sidewalks, stormwater and water. In addition, the Village manages public facilities, traffic and streetlight systems and the parking deck and parking lots. The Village has both long and short-term spending plans for each of its major systems. Short-term spending plans are in the annual Community Investment Plan.</p>
<p><b>Recent History</b></p>	<p>In 2014, the Village will complete approximately \$20 million of infrastructure projects including:</p> <p><b>Streets</b> - Completed \$6.96 million in street reconstruction projects (Downers Grove Estates, Esterbrook and Brook &amp; Center) and \$4.91 million in street maintenance projects.</p> <p><b>Stormwater</b> - Completed \$3.57 million in new projects to mitigate flooding. Acquired and demolished houses susceptible to recurring flooding.</p> <p><b>Water</b> - Completed \$3.75 million in new watermains, valves and hydrants.</p> <p><b>Sidewalks</b> - Completed \$860,500 in new sidewalks and sidewalk maintenance, as well as ADA-compliant right-of-way improvements.</p>
<p><b>FY15 Budget Considerations</b></p>	<p>The Proposed FY15 Budget includes \$23.5 million for continued investment in the Village's water, streets, stormwater, sidewalk and other systems.</p> <p><b>Streets</b> - The Proposed FY15 Budget includes \$5.1 million for street reconstruction projects (Brookbank Road-59th to 60th St, Clyde Estates, Orchard Brook East, Maple-Fairview to Cumnor, and Lacey Road-north of Ogden) and \$4.4 million for street maintenance projects on nine miles of streets. Street reconstruction projects are funded by the 2012 bond issuance; maintenance activities are funded by the Motor Fuel Tax, Home Rules Sales Tax and Local Gasoline Tax. <i>(See page 4-28 - 4-30.)</i></p> <p><b>Stormwater</b> - The Proposed FY15 Budget includes \$4.56 million in CIP projects and approximately \$1.9 million in operations and maintenance. Revenues for stormwater expenses are provided by stormwater utility fees. These fees are budgeted to increase by 8.7% in FY15. The budget calls for continued spending of existing fund balance in the Stormwater Fund for capital projects as well as gradually increasing maintenance activities in order to reach the full maintenance goals by 2028. <i>(See page 4-20.)</i></p> <p><b>Water</b> - The Proposed FY15 Budget includes \$5.6 million for water infrastructure projects, including \$2 million for the replacement of the meter transmission units, which transmit utility readings from customers to the Village's billing system. (See AMR Report.) The proposed budget includes a 14% increase in water rates to cover the cost of purchasing water from the City of Chicago via the DuPage Water Commission as well as capital costs for system maintenance and replacement. <i>(See page 4-24.)</i></p> <p><b>Sidewalks</b> - As proposed, the FY15 Budget would include \$500,000 for new sidewalk construction projects, \$211,000 for sidewalk maintenance and \$50,000 for crosswalk and accessibility improvements. <i>(See page 4-30.)</i></p> <p><b>Parkway Trees</b> - The Proposed FY15 Budget \$261,300 for the installation of new parkway trees including funding for the removal and replacement of trees affected by the Emerald Ash Borer (see EAB Funding and Operations).</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 crack-filled, 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 the end of 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 2016.



## Effect Of Proposed Water Rate Increase On Typical Resident

### Typical Residential User - Bi-Monthly Bill

	2014 Typical Bill	2015 Bill (Plan 9% increase for fixed charge, 14% increase per unit)
<b>Typical Residential User (15 units bimonthly, 5/8" Fixed Meter Charge)</b>	\$90.00	\$101.99

## Effect Of Recommended Stormwater Fee Increases

The Stormwater Utility plan calls for an increase of approximately 8.7% in FY15. The fee per ERU will increase from \$8.94 in FY14 to \$9.72 per month in FY15.

Single Family Residential	2014 Fee	2015 Recommended Fee
<b>Typical Residential Property (2,501- 4,000 square feet of impervious area) = 1 ERU</b>	\$8.94 per month \$107.28 per year	\$9.72 per month \$116.64 per year

## Priority Action Items

In the FY14 Long-Range Plan process, the Village Council identified action items to further the Village goals. The FY15 Proposed Budget includes resources to accomplish several action items.

Action Item	Funding
<b>Complete Facilities Sustainability Plan and Implementation</b>	The FY15 Proposed Budget includes \$4.5 million for the acquisition and improvements of land in the Ogden Avenue TIF, \$1.5 million in the Asset Forfeiture Fund, professional services design work and related consulting services on the police station project, and \$150,000 in the Major Buildings Fund. (See attached report)
<b>Construct Gateway Signs</b>	The FY15 Proposed Budget includes \$100,000 in the Capital Projects Fund for construction costs.
<b>Continue to Improve Resident Engagement</b>	This project will be completed by staff. No specific additional funding is required (See attached report)
<b>Develop Employee Compensation Strategy</b>	This project will be completed by staff. No specific additional funding is required.
<b>Negotiate Collective Bargaining Agreements (Police and Public Works)</b>	This project will be completed by staff. No specific additional funding is required.
<b>Consider Amendments to Stormwater Management</b>	This project will be completed by staff. No specific additional funding is required.
<b>Develop a Standard for ROW Improvements</b>	This project will be completed by staff. No specific additional funding is required.
<b>Update New Construction Sidewalk Plan</b>	This project will be completed by staff. No specific additional funding is required.
<b>Continue to Implement Downtown Parking Plan</b>	This project will be completed by staff. No specific additional funding is required.

## Impact of Budget on Typical House

Category	Annual Increase/(Decrease)
Property Tax	(\$8.90)
Stormwater Fee	\$9.36
Water Fees	\$71.94
<b>TOTAL ANNUAL IMPACT OF BUDGET</b>	<b>\$72.40</b>

## Risk to Budget

Risks to the Adopted Budget - As discussed during the Long-Range Plan process, the Village faces an ongoing 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.

The Village's status as self-insured also represents a risk to the General Fund. The Village maintains insurance against catastrophic claims but smaller, unanticipated claims have the potential to impact the budget significantly.

Staff will monitor and report revenue performance to the Village Council as necessary throughout 2015. If revenues fall short of the budget, the Village should be ready to discuss amendments to the budget at any time during 2015. The amendments, if necessary, could increase expense reductions, use of reserves or additional revenue enhancements.

## Supplemental Reports

- Facilities Planning Report
- Stormwater Utility Fee and Spending Modeling
- Stormwater Utility Restructuring
- Community Grants Report
- Automated Meter Reading Report
- Customer Response Management System Report
- Emerald Ash Borer Funding and Operations
- Research and Development Proposal