

## Responses to Council Questions FY16 Budget

### Property Tax Levy

*With the Pension payment of \$893,000, would it be fair to say that the impact on the Property Tax Bill would be about \$3.20 increase?*

The property tax paid to the Village for a typical residential property is expected to increase by about \$44.00 compared to the amount paid in 2015.

*It is fair to say that Property Taxes have been flat or reduced, but what would the statement have to read if Stormwater Utility Fees were always in and returned to the Property Tax Bill? The effect of transferring out of property taxes one year and then increasing the fees and putting it back? What would 2016 have to say?*

If the Village levied property taxes for stormwater expenses in an amount equal to the revenue generated by the stormwater utility, the total property tax levy would be approximately \$16.4 million, about 33% more than the proposed \$12.3 million levy.

*Why (How) did we assume a 7.5% increase in investments? What role did the investment fraud play on the numbers and the budget?*

Investment return assumptions are determined by the respective Pension Boards in consultation with the Board actuary and investment consultant. The five year investment yield for the Fire Pension Fund is 8.42% and 7.76% for the Police Pension Fund.

The Village's loss of \$586,000 in the IMET investment fraud case was reflected in FY14 (additional information can be found here: <http://www.downers.us/top-stories/2015/06/05/work-continues-on-imet-fund-recovery> ). Any funds recovered and distributed back to the Village will be recorded as revenue.

*With graphs that show mounting pressure on pension obligations, it seems we react (lowering and raising) with each year's results. Is there a way to "flatten" that curve so we don't give good news one year (and take credit for it) and bad news the next (and point fingers)?*

The Village's practice has been to make the annual required contribution, which may change annually based on investment returns, actuarial projections or accounting standards. The Council could choose to smooth changes in the public safety pension levy by levying more than the required annual contribution in some years, holding on to the excess amount and using all or a portion of this money to contribute the appropriate amount to the pension funds in years when the required contribution exceeds the planned levy amount.

## **General Fund**

*Please explain the history and results of expense reduction efforts in the Police and Fire Departments.*

The Village has recently taken many actions to reduce personnel expenses in these departments by approximately \$2.5 million per year, and non-personnel expenses by approximately \$180,000 per year. The majority of the expense reductions were driven by the elimination of nearly 20 Full-Time Equivalent (FTE) positions.

Police Department Personnel Expense Reductions of \$1.4 Million - Since 2009, staffing in the Police Department has been reduced by over 11 Full-Time Equivalent positions (approximately 10% staffing reduction) from 121.40 to 110.23 FTE's. The estimated annual reduction in expenses is \$1.1 million. The following positions were eliminated:

- 1 Lieutenant
- 1 Sergeant
- 5 Police Officers
- 1 Records Specialist
- 3 Community Service Officers
- 0.38 Crime Prevention Specialist

The Police Department has continued to provide exceptional services even as staffing has been significantly reduced. This exceptional service was affirmed with the recent Accreditation with Excellence. The department has used improved technology to reduce staffing demands. For example, one Community Service Officer using license plate recognition software performs downtown and commuter parking lot regulation enforcement when three CSO's were previously required for this work. Further, in 2014 the Village outsourced all parking ticket administration to Data Ticket, a private company located in California. This allowed the department to eliminate a Records Specialist position.

Two Village Operations Center Operator positions were added in 2011 as part of the dispatching partnership with Westmont. The Villages of Downers Grove and Westmont implemented consolidated dispatching services for police and fire 9-1-1 emergency calls. The shared communications center is based in the Downers Grove Police Department. By reducing overhead costs and sharing operational expenses, the joint dispatch center resulted in an annual savings of \$300,000 for Downers Grove and \$220,000 for Westmont. With the joint dispatch center operational, the closest available unit now responds to fire and EMS calls, whether it is personnel from Downers Grove or Westmont. Treating the individual departments as a single dispatch entity has resulted in reduced response times along the Village's eastern border.

Fire Department Personnel Expense Reductions of \$1.1 Million - Since 2008, staffing in the Fire Department has been reduced by 8.25 FTE's (approximately 9%) from 91.75 to 83.50 FTE's. The estimated annual reduction in expenses is over \$900,000. The following positions were eliminated:

- 1 Battalion Chief
- 1 Fire Marshal
- 3 Lieutenants
- 2 Firefighters/Paramedics
- .5 Fire Inspectors
- .5 Administrative Specialist
- .25 Administrative Intern

The Fire Department has continued to provide exceptional services even as staffing has been significantly reduced. This exceptional service was affirmed with the recent Class 1 ISO rating. The department has used improved technology and privatization to reduce staffing demands. Here are just a few examples. The department privatized the data entry and management of required annual sprinkler and fire alarm system inspection results. The Fire Prevention Bureau was reorganized, eliminating staff. Further, the department reduced the number of required staffing by using a jump company to operate the ladder truck and rescue squad. Members of the jump company respond to calls using either the ladder truck or the rescue squad based on the type of incident. This reduces the required minimum daily staffing by one per shift. Prior to instituting the jump company response, both the ladder truck and rescue squad responded to most calls for service. In addition to the staffing reductions, annual overtime expenses in the Fire Department were reduced by approximately \$150,000 by changing the manner in which paid time off days are scheduled.

Police & Fire Department Non-Personnel Expense Reductions of \$180,000

The Police and Fire Departments have been part of the Village-wide strategy to reduce vehicle fleet and risk-related expenses. Key risk reduction actions by the Police and Fire Departments include:

- All employee participation in Village-wide risk reduction strategy training
- Participation in the accident review team
- Increased emphasis on wellness program (including Peer Fitness Program in Fire and annual fitness physical)
- Tactical training protocol changes (Police)
- Participation on the Executive Safety Committee and Claims Review Process
- Patient lifting equipment - Power cots and EZ lift chairs (Fire Department)

- Continued use of policy and standard operating procedures (driving, pursuit, personal protective equipment)

Fleet related expenses in both departments have also been reduced. Four vehicles and three trailers were eliminated from the fleet which in conjunction with operational efficiencies reduced costs for Police and Fire.

*Page 5-21: The claims, grants and debts line item is budgeted to increase by about \$318,000. The footnote states that this is due to increases to increased risk costs. Please provide additional clarifying information on this line item.*

Allocations for Risk expenses are made using the previous year's claims experience. In Public Works, an employee had a back injury requiring two expensive surgeries which resulted in a higher allocation of 2016 budgeted costs.

*We are hiring a "Planner". Is this an experienced Master Planner (Dept Head quality) or another body.*

The proposed budget calls for the addition of a planner. This position is generally requires previous experience as a planner or an equivalent combination of education and experience, but is not a management, senior or leadership level position.

*Plan Dept fees have been a great contributor to revenue. There have been some large projects in the 2 years of substantial gains. Why should we expect a continuing boom?*

The Village anticipates continued growth due to proposals at Midwestern University and Good Samaritan Hospital, in addition to the residential developments in the downtown and strong permit activity in general.

*With the loss of Chief Porter, a temp replacement, and a new or promotional hire, what are the budget impacts for 2016?*

There is no impact on the 2016 Budget, Chief Porter will be replaced and that position is budgeted.

*Of the Ambulance Fees, how much was paid by insurance and how much from private checks?*

About 93% of the ambulance fees are paid by insurance companies, with the remaining 7% paid by individuals.

*Why is Westmont revenue for the Dispatch classified as a "Grant". Is it not Special Revenue or possibly Enterprise?*

This category is used because the revenue comes from another government agency.

*For non-personnel expenses decreasing because of police cameras, should we not be planning for individual police cameras?*

Yes. The Village is currently planning for individual police cameras. Staff is currently in the process of reviewing various options with the county and other municipalities.

*Clerk's Office – What happened to the Deputy Clerk?*

This position was eliminated in 2015. The employee in the Deputy Clerk position was transferred to the Administrative Secretary II position in the Public Works department. Duties of the Deputy Clerk were absorbed by the Clerk and Document Management Technician.

*Clerk's Office-Are FOIAs in Professional Services?*

No. The account Professional Services includes dues for professional organizations including DuPage Mayors and Managers, National League of Cities, and the Illinois Municipal League and Legal Notices and Recording fees

### **General Fund and Police & Fire Pension Funds**

*How many employees (number of pensions) are being paid by the Village? Can they be attributable to the departments they retired from?*

62 retirees are being paid from the Police Pension Fund, 57 retirees are being paid from the Fire Pension Fund, and 194 retirees are being paid from Illinois Municipal Retirement Fund (IMRF).

### **Equipment Replacement Fund**

*Please provide an overview of the strategy/plan of the ERF. Can the Village reduce overall costs by extending the life of existing vehicles? Please explain the review/analysis that the Village uses prior to the replacement of each individual vehicle.*

The Equipment Replacement Fund provides a dedicated funding source for equipment that is replaced on a routine basis, which allows for items to be replaced when they need to be versus when funds are available. The Village's goal is to minimize the cost of owning and operating vehicles by replacing vehicles when the annual cost of repairing and maintaining a vehicle is equal to or greater than the annual cost of purchasing and maintaining a new vehicle.

All Village vehicles and equipment are targeted for replacement according to a useful lifecycle replacement criteria guideline. The life expectancy of vehicles ranges from four years (police patrol cars) to 15 years or more (large specialty vehicles) Additional criteria are considered when making the final replacement recommendation. These criteria include age, usage, condition, repair costs, fuel efficiency and environmental impact. The Fleet Team reviewed the vehicles scheduled to be replaced and determined that the criteria for replacement were met.

Extending the life of existing vehicles past their optimum economic life can result in excessive maintenance costs, increased fuel costs as the vehicles decrease in fuel economy, and unplanned downtime of vehicles that are being repaired.

The Fleet Team meets prior to the purchase of vehicles to determine if an item should be replaced or deferred to a future year. Total maintenance expenses are reviewed and compared to the costs of purchasing a replacement vehicle. With each vehicle replacement, staff re-evaluates the type of vehicle being replaced and the vehicle function, and also determines whether the purchase of alternative fuel versions of vehicles would be a viable for the Village.

Attached is a projection of the fund through 2024. The ten-year projection shows balances under \$100,000 by 2021 as the Village makes purchases from the fund.

### ***Ogden TIF***

*Please describe the proposed use of the \$25,000 for the Traffic Signal Study (TR-029)*

The Ogden Avenue Traffic Signal Study would evaluate traffic patterns and access onto Ogden Avenue in the area between Belmont Road and Saratoga Avenue with the intent of identifying potential future traffic signal location.

### ***Asset Forfeiture Fund***

*Why is \$1.5 million earmarked for a police station project? What will this money be used for?*

Monies in this fund come from asset seizures as a result of the equitable sharing agreement the police department has with the Department of Justice. Money seized under this agreement can only be utilized for law enforcement purposes. Monies not spent within three years of receiving it or earmarked for a capital project must be returned to the Department of Justice. Since the Village is in the process of facilities planning for the Police Department, these funds were earmarked for the police station project. The exact use of any funds will be determined upon completion of the Facility Sustainability Plan.

### **Health Fund**

*Would like to understand the benefits and options for our retired employees and the new “fully insured” program that resulted in a 40% cut.*

In 2012, the Village implemented a fully insured product for retirees 65 years of age and over. Coverage is comparable to benefits under the Village’s plan. Prior to the implementation of the retiree plan, active employees and retirees were all included under the Village’s Health Plan. The true healthcare costs for retirees, are, on average, greater than active employees’ healthcare costs. If both subgroups pay the same premium for their benefits, retirees are paying less than they would if their premiums were calculated solely based on retiree-only expected healthcare costs. This is called an implicit rate subsidy, where the active employee premiums are

subsidizing the retiree premiums, and that subsidization creates a liability that needs to be recognized under GASB 45-Accounting for Other Post-Employment Benefits (OPEB). This liability exists even though retirees pay the full premium for those benefits.

With the fully insured product, that serves as a Medicare supplement plan, since all plan participants are 65 and over and Medicare is the primary payer, the premiums are lower, and the implicit subsidy is completely eliminated for this group of retirees. This is what reduced the OPEB Liability by 40%.

*Would a Health Savings Account plan improve benefits and cut costs?*

The Village's health plan includes a high-deductible VEBA plan, which improves benefits and cuts costs.

### **Risk Fund**

*Are there any employee incentives for being accident free? Departmental and/or organization-wide? 3 mo accident-free, 6 mo etc.?*

No, in general, the Village has achieved improvements in safety by creating awareness and improving operating policies and procedures. The Village does provide a gift card to employees who drive an entire year without coachable events on the DriveCam system.

### **Fleet Services Fund**

*A goal was to "enhance revenue". If revenue comes from various departments, then how is revenue enhancement a goal?*

The enhanced revenues refer to agreements with other agencies and the sale of CNG which increase Village revenues and reduce expenses for the participating agencies.

*Shouldn't the Goal of Fleet Services be \$0 at the end of the year?*

No. Although the Fleet Services Fund operates on a cost-reimbursement basis, since its customers are primarily other funds and departments, the Fleet Services Fund maintains a moderate fund balance to "protect" the other funds, primarily the General Fund, from price swings in fuel, and for unexpected repairs (for example, all the repairs that were necessary from the record snowfalls in 2014.) The Fleet Services Fund shows a deficit of \$110,440 in the 2016 Budget, showing the General Fund and other funds being "paid back" for 2015 charges due to favorable fuel prices.

*Shouldn't that be the goal of all Internal Services Funds? They should cover all expenses. A positive balance reflects funds that could be used by various departments who provide external services.*

In essence, all Internal Services Funds are cost-reimbursement Funds as mentioned above. However, each has unique qualities. The Equipment Replacement Fund (ERF) needs enough funds on hand to purchase equipment at the end of its useful life. Contributions are made from other funds/departments on a pre-funding basis. These purchases are lumpy, and therefore there will typically be a balance in this fund to cover future purchases. Attached is a projection of the fund through 2024. The ten-year projection shows balances under \$100,000 by 2021 as the Village makes purchases from the fund.

Both the Health and Risk Funds are self-insured funds which can have dramatic fluctuations from year to year due to the uncertainty of claims experience, requiring a fund balance to protect against those fluctuations.

### **Major Buildings Fund**

*Where does the “village owned” bank building property at Main and Curtiss appear?*

The Village is in a long term lease agreement for this property. The Village does not receive revenue or incur expenses related to this lease. Therefore, it is not reflected in the budget.

### **Community Investment Plan**

*DBD Crosswalk – How much have we already spent on the crosswalks in previous years? It does not appear expectations were met.*

The Village has spent approximately \$135,000 to replace some pedestrian crosswalks with printed thermoplastic material. The original design for the crosswalks in the mid to late 1990’s did not meet expectations. Many changes to the crosswalk design were made in the 2000’s. The current design using thermoplastic material is performing well and meeting expectations.

*Neighborhood Traffic Study – while these are being done systematically, how many different consultant companies have been used? While Traffic Studies have “no significant impact”, their results do.*

The Village has used two consultants for traffic studies.

*Financial Software – is it time to bail on Eden and find something less expensive and something more accessible by the general public? \$800 K for software?*

Yes, the CIP includes a project (FN-002) that plans for the replacement of Eden enterprise/ financial software in 2018. The preliminary cost estimate for the software replacement is \$800,000.

## **ATTACHMENT**

Equipment Replacement Fund Projection

**Equipment Replacement****Fund 530**

	<b>Actual 2014</b>	<b>Est 2015</b>	<b>Proj 2016</b>	<b>Proj 2017</b>	<b>Proj 2018</b>	<b>Proj 2019</b>	<b>Proj 2020</b>	<b>Proj 2021</b>	<b>Proj 2022</b>	<b>Proj 2023</b>	<b>Proj 2024</b>
<b>Revenues</b>											
Transfers from Departments	1,280,484	1,262,976	1,353,739	1,453,205	1,505,145	1,550,299	1,596,808	1,644,713	1,694,054	1,744,876	1,797,222
Misc Revenues	8,197		29,200	29,200	29,000	30,000	30,000	32,000	32,000	34,000	34,000
Total Revenues	1,288,681	1,262,976	1,382,939	1,482,405	1,534,145	1,580,299	1,626,808	1,676,713	1,726,054	1,778,876	1,831,222
<b>Expenses</b>											
Purchases	1,191,715	173,781	2,869,625	1,730,950	2,005,960	1,600,350	2,164,650	1,702,096	1,158,527	1,567,550	904,300
Net Income (Loss)		1,089,195	(1,486,686)	(248,545)	(471,815)	(20,051)	(537,842)	(25,383)	567,527	211,326	926,922
Cash Balance at 12/31	1,772,308	2,861,503	1,374,817	1,126,272	654,457	634,406	96,565	71,181	638,708	850,034	1,776,956