Village of Downers Grove

Long-Range Plan

2015 - 2017

Executive Summary

The 2015 to 2017 Long-Range Plan was developed over a three month period from June to August 2015. During this period the Village Council held four long-range planning meetings (the meetings can be viewed in the Media section of the Long-Range Plan page here: http://www.downers.us/govt/long-range-plan.)

The Long-Range Plan consists of the Strategic Goals, solutions and strategies to address key issues affecting the future of the Village and a list of Priority Action Items that will serve as the work plan from September 2015 to April 2017.

Strategic Goals

The following five Strategic Goals were developed to guide Village actions from 2015 to 2017 and beyond.

- Steward of Financial, Environmental and Neighborhood Sustainability
- Exceptional Municipal Services
- Top Quality Infrastructure
- Strong, Diverse Local Economy
- Continual Innovation

Solutions and Strategies to Address Key Issues

The following strategies and solutions were developed to address key issues that the Village faces now that are likely to affect the Village in the future.

Issues	Strategies & Solutions
General Fund Personnel expenses are expected to increase by 4 to 5% per year while revenues are expected to grow at a significantly slower rate. Income tax revenue may be reduced due to legislative action by the State Property tax revenue may remain flat as the State may enact a property tax levy freeze Sales tax revenue growth is expected to be low	Increase operating efficiencies Reduce personnel expenses Partner with others Enhance revenue base Continue to monitor state budget actions that could impact the Village and work to protect municipal revenues Identify actions to reduce reliance on state shared revenues Continue to maintain reserve balances within policies Work with the Economic Development Corporation (EDC) to increase the sales tax base and Village sales tax revenue Consider changes to service levels, increases to the property tax levy for operations, adjustments to existing

	revenue sources, and adoption of new revenue sources, as necessary
Street System Regular maintenance must be completed to provide the recommended level of service	Continue to maintain streets according to the established maintenance plan Continue to provide about $4.6 million per year for street maintenance
Stormwater System Due to insufficient funding, the Village is currently performing about half of the maintenance recommended and there are several identified capital improvement projects that cannot be constructed until 2018 to 2024. The Village Council has expressed an interest in revisiting the stormwater utility model and user fee rates	Continue to increase funding for stormwater system maintenance and capital projects to improve the level of service Consider using funding sources other than stormwater fees to pay for capital improvements
Water System About 30% of the water distribution system is beyond its expected useful life and should be replaced in the next several years The cost of owning, operating and maintaining the water distribution system is expected to increase while the amount of water sold each year is expected to decrease Current water rates will not cover the cost of purchasing water from the DuPage Water Commission and the cost of owning, operating and maintaining the water system The DuPage Water Commission is no longer publishing multi-year water rate plans	Adopt a five-year water rate plan for 2016 to 2021 Continue to replace watermains and other infrastructure beyond its expected useful life Use the Illinois Environmental Protection Agency low interest loan program to pay for watermain replacements
Sidewalk System The multi-year new sidewalk construction prioritization plan is nearly completed	Continue to maintain the existing sidewalk system Temporarily stop constructing new sidewalks on a Village initiated basis and consider constructing new sidewalks in response to resident requests Allocate funds traditionally used for new sidewalk construction to other Village needs
Village Facilities The Police Station and Village Hall are in Below Average condition and do not provide modern work spaces that allow for efficient and effective interactions among employees and customers. Both facilities have outdated major building systems that will require significant investment to replace. The Police Station and Village Hall are in need of major renovation. The 2012 Facility Condition Assessment identified over $10 million of recommended improvements for the Police Station and Village Hall	Continue to maintain the five Village facilities that are in maintainable condition using existing revenues Evaluate options for maintaining, improving or replacing the Police Station and Village Hall using existing and new revenues

Priority Action Items

The following *Top* and *High* Priority Action Items will serve as the work plan from September 2015 to April 2017. *Top* priorities are given the highest priority to ensure completion within the established timeline. *High* priority items are acted on throughout the 18-month period and the Village takes opportunities to move forward on as many projects as possible.

Top Priority Action Items	**Description** ***This Action Item consists of...***
Create a Facilities Sustainability Plan	Creating a plan to address maintenance and functional needs of the Village's buildings, including Village Hall and the Police Station
Review the Zoning of the Perimeter of the Downtown	Considering amendments to the zoning regulations and zoning classifications of the properties around the perimeter of the downtown
Update the Comprehensive Plan	Completing a five-year review and update to the plan, which has been in place since 2011
Consider Changes to the Stormwater Utility	Reconsidering the method of generating revenue for stormwater infrastructure and operations and maintenance
Create Economic Development Plan to Enhance Sales Tax Base	Creating a plan to increase the sale tax base and Village sales tax revenue
Identify and Execute One Major Consolidation	Working with other local agencies to find a consolidation opportunity that could be successfully implemented and would reduce costs or enhance revenues for the Village
High Priority Action Items	
Review the Sign Ordinance	Considering amendments to sign regulations in response to the recent US Supreme Court ruling and to the completion of the enforcement of the compliance deadline
Explore Intergovernmental Partnerships to Address Human Service Issues in the Community	Engaging other agencies and local nonprofits, as well as the Human Service Commission, to identify partnerships that would address social service issues
Review the Zoning Map	Reviewing key areas on the zoning map to determine whether the existing zoning matches the community's vision for potential future development and is consistent with the Comprehensive Plan
Consider Amendments to the Historic Preservation Ordinance	Considering amendments to the Historic Preservation Ordinance and program
Review the Building and Development Permitting Process	Reviewing the process and performance for issuing building permits (includes a review of the building codes, the administration of the codes and the inspection process)
Conduct Resident Survey	Implementing a community-wide survey to obtain input from residents about Village services
Develop *Business Friendly* Metrics	Identifying methods to assess the impacts of Village regulations, taxes, fees and services on businesses and compare the impacts to other municipalities

Introduction and Overview

The Long-Range Plan is designed to identify and address issues affecting the long-term future of the Village. The Plan establishes the Village's goals and priority actions that guide annual budgets, daily operations and service delivery. It is a commitment of resources into actions and includes a list of action items to be completed during the next two years. The long-range planning process is one of many strong management practices that led Standard & Poor's to grant the Village their highest bond rating of AAA.

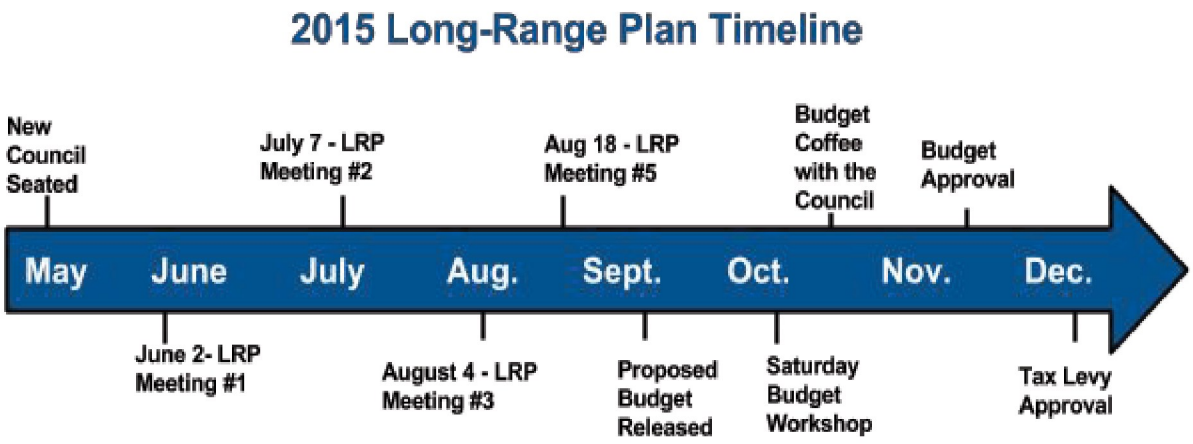
To prepare the Long-Range Plan, the Village Council met in a workshop format after four regular Village Council meetings from June to August. The purpose of this process was the following:

- Review and discuss the Strategic Goals for 2015 to 2017 and beyond
- Identify and discuss key trends and issues affecting the long-term future of the Village
- Develop strategies and solutions to address the key trends and issues
- Create a list of Priority Action Items to be completed from September 2015 to May 2017

The meetings provided an opportunity for dialogue and collaboration among the Village Council, community members and staff.

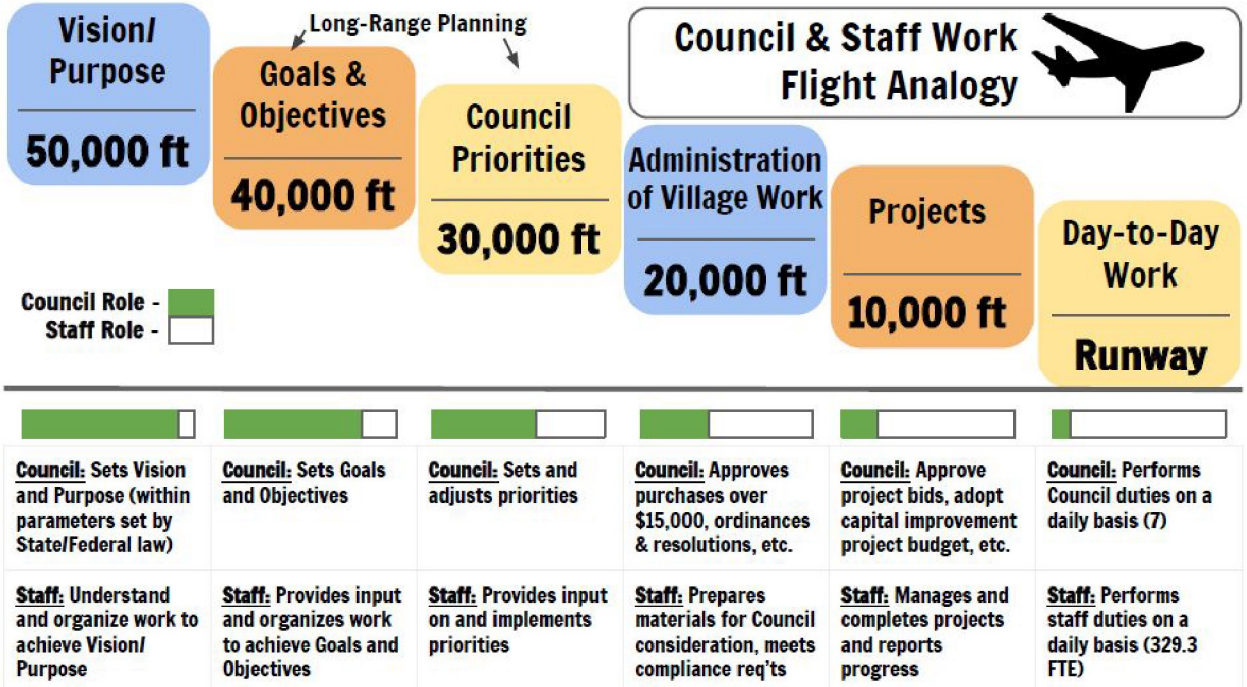
The discussion took place on the following dates:

June 2:	LRP Introduction and Overview Council Member Roundtable Open Discussion Review and Discussion of Village Strategic Goals
July 7:	Issue Discussion: General Fund
August 4:	Issue Discussion: Infrastructure
August 18:	Council Priority Action Items



Flight Analogy

The Long-Range Planning process focuses on creating and achieving the Village's goals and objectives and priority actions. The graphic below compares the roles of the Village Council and staff with an airline flight. The Long-Range Planning process takes place at the 30,000-40,000 foot level. The Council and community also have opportunities for input at the lower levels throughout the rest of the year, such as during regular Council Meetings, as part of the budget process, and in communicating formally and informally with members of the Village Council and staff.



The Long-Range Plan Drives Performance in All Village Services and Operations
The Village of Downers Grove is a large, complex organization that provides hundreds of distinct public services through the efforts of 329 full-time equivalent staff members working in 12 departments and spending $135 million. Providing clear direction to Village staff members by establishing goals, objectives and action priorities during the Long-Range Planning process drives exceptional performance throughout the organization. The LRP is used by staff to direct daily operations. The Village relies on engaged, informed and empowered staff members working at runway to 20,000 foot levels to achieve the results expressed by the Village Council.

Strategic Goals

The Strategic Goals established by the Village Council will guide Village actions from 2015-2017. The goals are:

- Steward of Financial, Environmental and Neighborhood Sustainability
- Exceptional Municipal Services
- Top Quality Infrastructure
- Strong, Diverse Local Economy
- Continual Innovation

Below is a summary of each goal.

Steward of Financial, Environmental and Neighborhood Sustainability
The Village should act as a steward of public resources to achieve financial and environmental sustainability. Financial sustainability can be achieved by aligning expenses with revenues on a long term basis. The Village should control increases in expenses and implement revenue sources that withstand short-term uncertainty and provide long-term stability. Over the past few years the Village has used several strategies to achieve sustainability. The strategies include:

- Increase operating efficiencies.
- Reduce personnel expenses.
- Partner with other agencies and government entities.
- Enhance the revenue base.

Environmental sustainability refers to the Village's responsibility to deliver its services in a way that protects or enhances natural resources. The Village seizes opportunities to 'green' its operations when possible, whether by seeking grants to introduce new environmentally friendly practices or by seeking the most environmentally friendly option for existing services.

Neighborhood Sustainability refers to the Village's role in crafting and applying policies and codes that help in maintaining or achieving the desired character of existing neighborhoods.

Exceptional Municipal Services

The services provided by the Village to residents, businesses and all stakeholders should be of the highest quality. The Village should provide unsurpassed service to residents and businesses in a manner intended to exceed expectations. Village services should be delivered at a value to the community and should reflect the needs and desires of the community as a whole. This is achieved through maximizing the value of public dollars by partnering with overlapping and adjacent government entities. The value of the Village's services should be regularly communicated to residents, government should be transparent and accessible, and residents should be engaged and able to interact with their local government. The Village achieves this by producing timely communications in multiple media formats, publishing financial information in a way that is clear and understandable, and seeking and implementing new ways to gather input from residents and other stakeholders.

Top Quality Infrastructure

The Village owns and operates several infrastructure systems including streets, stormwater system and water supply and distribution. Specific performance and maintenance standards have been identified for each infrastructure system. The Village should continue to invest in all infrastructure systems so that each system meets or exceeds performance and maintenance standards.

Strong, Diverse Local Economy

The Village should continue to strengthen and diversify the local economy. This goal can best be achieved by working with the Downers Grove Economic Development Corporation (DGEDC) and implementing the recommendations of the Village's Comprehensive Plan. The DGEDC, a private not-for-profit agency, is committed to strengthening and diversifying the local economy by retaining existing businesses and attracting new businesses to the Village. They work in partnership with the Village to achieve the following:

- Strengthen the Sales Tax Base
- Strengthen the Commercial and Industrial Tax Base
- Increase Hotel Tax Revenue
- Increase the Employment Base

The Village's Comprehensive Plan was adopted in 2011 after nearly two years of public discussion and serves as a tool for improving the community in many areas, including economic development. The Village and DGEDC are both now working to implement the recommendations of the Comprehensive Plan. In 2014 the DGEDC adopted a five-year Strategic Plan. The DGEDC and the Village are now working to implement the recommendations of this plan.

Continual Innovation

Innovation refers to the discovery and implementation of leading ideas and practices. Continual innovation leads to increased value of each dollar of investment in Village operations. It is achieved by emphasizing a leadership philosophy that is issue-focused and builds on the skills and talents of all employees within the organization. Village staff carefully considers the benefits of innovative practices to ensure success and value to the organization.

GENERAL FUND

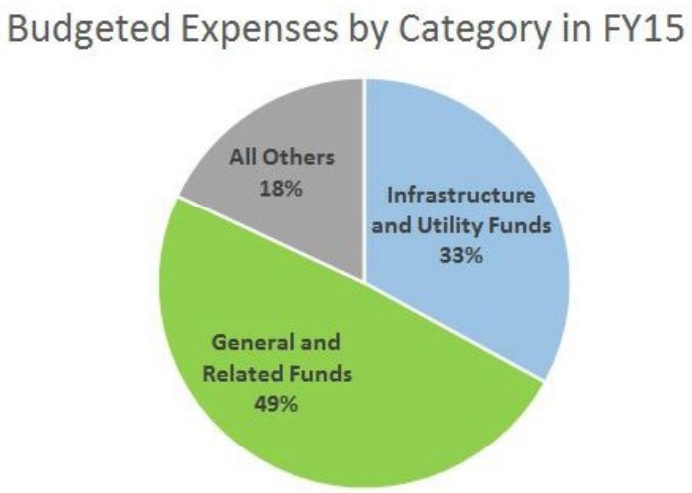
The General Fund is the Village's main operating fund. Most Village services are accounted for in the General Fund including Police, Fire, Community Development and most of Public Works. Because the Village is a service organization, the vast majority of costs are related to the people delivering those services. Seventy-seven percent of General Fund expenses are personnel-related costs. Since 2010, the Village has taken several steps to reduce the pace of growth of personnel-related costs, including reducing staffing levels, changing the health benefit plans and partnering with other government entities.

Typical annual growth in General Fund revenues does not keep up with the growth in expenses. The Village will need to continually address rising costs, mostly related to personnel, which account for 77% of General Fund expenses.

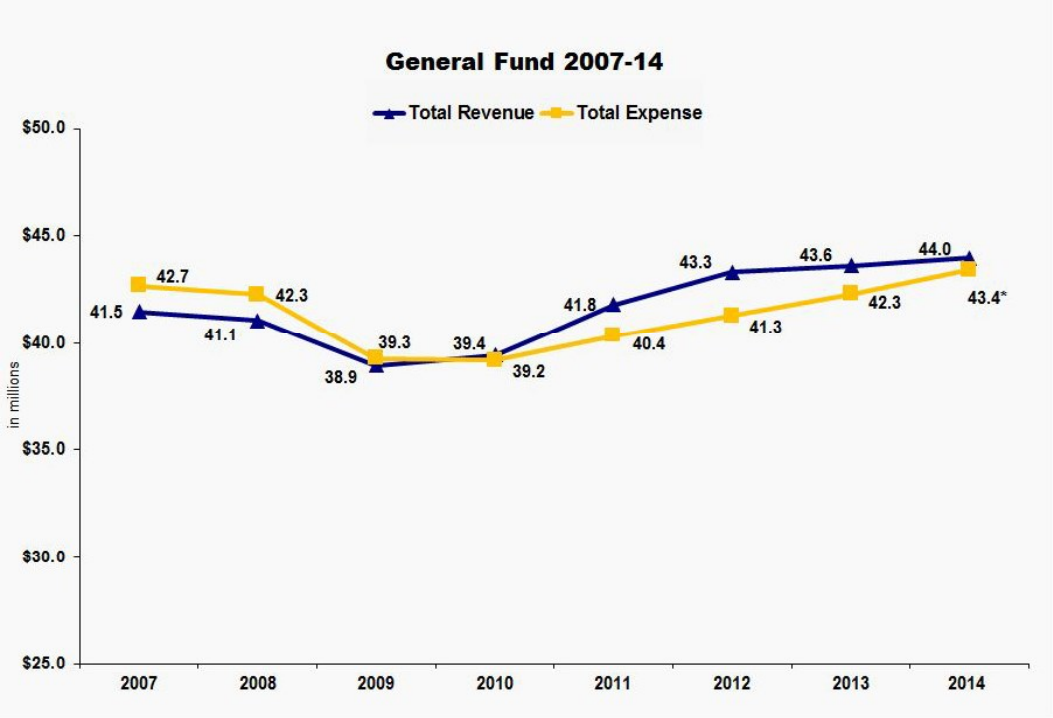
Issues	Personnel related expenses, which account for 77% of General Fund expenses, are expected to increase by 4 to 5% per year. The increases are driven primarily by public safety pension costs (growing at over 13% per year), health benefit costs (growing at about 7% per year) and salary costs (growing at less than 1% per year but projected to increase more rapidly in the next few years). Existing General Fund revenues may not increase as fast as expenses because: 1) Income tax revenue, which has been increasing at over 3% per year, may be reduced by legislative actions by the Illinois General Assembly. 2) Property tax revenue may remain flat as the Illinois General Assembly may place a property tax freeze on all municipalities. 3) Sales tax revenue growth may be slow. While sales tax revenue increased by nearly 11% from 2011 to 2014, recent growth has been slow (less than 1% in 2014).
Recent Performance and Actions Completed	• In response to potential state actions, which include a 50% reduction in local governments' share of the State Income Tax, the Village identified $1.2 million in expense reductions to be made during FY15. • Controlled expenses - Expenses increased by an average of 2.7% per year since 2010. Expense control was driven primarily by reducing staffing levels, controlling health expenses and cost-cutting process improvements. • Strong revenue growth - Revenues increased by an average of 2.9% per year since 2010, driven primarily by income tax, sales tax and building permit revenue. • Established a strong fund balance - The fund balance is now at $17.2 million (about 38% of annual expenses). • In FY14, eliminated the Transportation Fund accumulated

	deficit and cash deficit in the Risk Fund
Strategies and Solutions	• Increase operating efficiencies • Reduce personnel expenses • Partner with others • Enhance revenue base • Continue to monitor state budget actions that could impact the Village and work to protect municipal revenues • Identify actions to reduce reliance on state-shared revenues • Continue to maintain reserve balances within policies • Work with the Economic Development Corporation (EDC) to increase the sales tax base and Village sales tax revenue • Consider changes to service levels, increases to the property tax levy for operations, adjustments to existing revenue sources and adoption of new revenue sources, as necessary.

While the General Fund includes most operating expenses, the Village has many other funds that are designated for a specific purpose. Some are funded by transfers from the General Fund (Health Insurance, Risk and other funds), while others have separate funding sources with the purpose of funding infrastructure and utilities (Stormwater, Water, Capital and other funds). The chart below shows that most expenses in FY15 are related to the General Fund or to Infrastructure and Utilities.



The chart below shows the Village's General Fund revenues and expenses from 2007 to 2014. Since 2010, expenses have grown by an average of 2.7% per year. During the same period, revenues increased by 2.9% per year. With revenues exceeding expenses, the Village has established a strong fund balance.



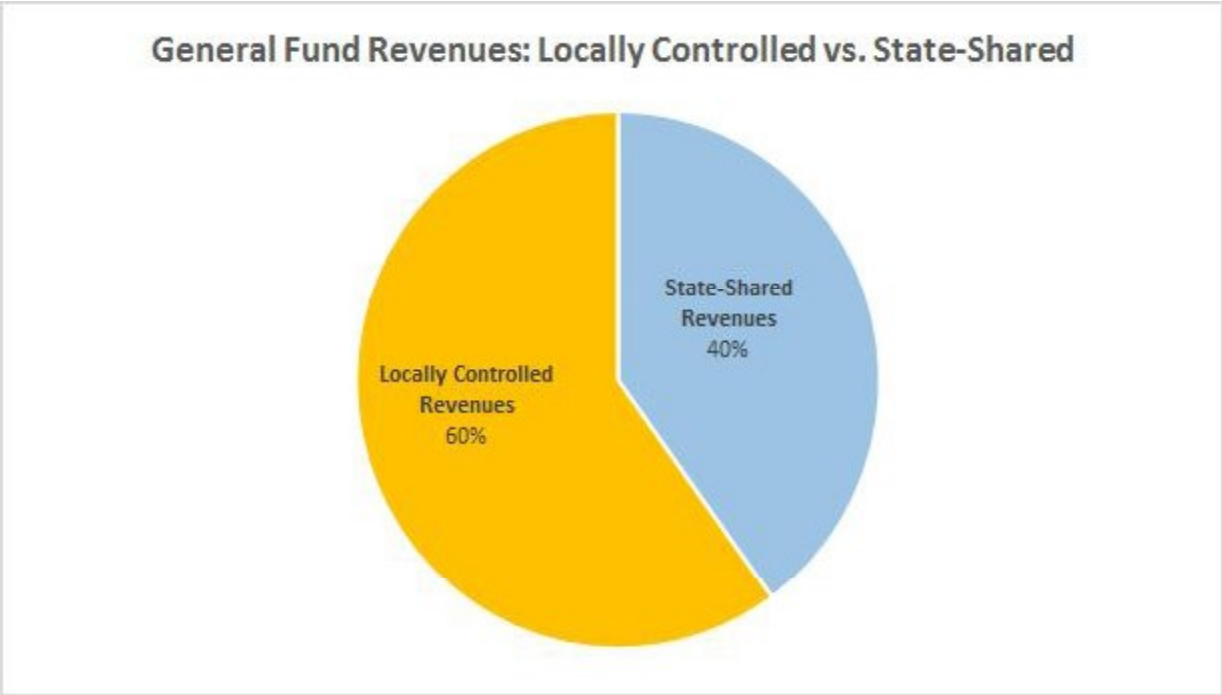
* Note: The $43.4 million in FY14 expenses does not include the $3.8 million transferred to the Transportation and Risk funds to address deficits.

Revenue Trends and Issues

The General Fund is supported by a combination of many revenues, including taxes, permits and user fees. Fifty percent of General Fund revenues are generated from sales tax and property tax.

Approximately 60% of revenues, such as property taxes, are controlled by the Village because the Village establishes the tax rates and/or levies. The remaining 40% of revenues are state-shared revenues which are controlled by the state and redistributed to the Village.

The authority of the Village to levy taxes, set fees and collect other revenues is granted by the State of Illinois in the Illinois Municipal Code. The legislature and governor may elect to amend the code, which could limit the Village's ability to collect all forms of revenue.


General Fund Revenues: Locally Controlled vs. State-Shared
State-Shared Revenues 40%
Locally Controlled Revenues 60%

Major General Fund Revenue Sources

Sales Tax - While the total sales tax on general merchandise sold is 8.25%, the Village receives a 1% portion of the sales tax generated within Downers Grove. In 2014, the Village received $11.44 million in sales tax revenue (26% of General Fund total revenue)

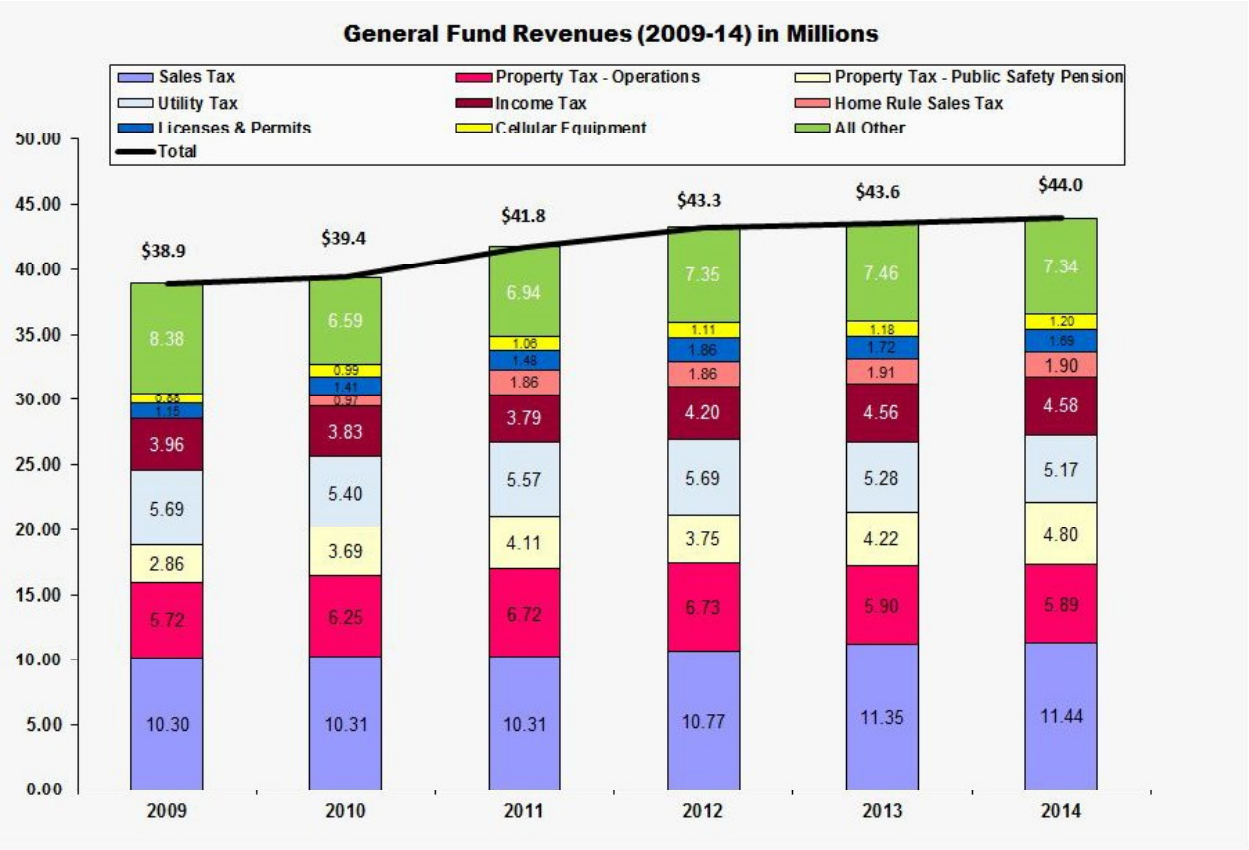
Property Tax - The Village sets an annual total property tax levy, which is then assessed to property owners in proportion to the value of their property. The Village's property tax revenue is divided into the following categories: general property taxes (operations) and police and fire pensions. The Village's property tax levy is approximately 10% of the average home's total tax bill; the remainder is paid to other local government entities, including school districts, the park district and DuPage County. In 2014, the Village collected $10.69 million for General Fund expenses (24% of General Fund total revenue)

Utility Tax - This revenue source includes Natural Gas Use Tax, Electricity Tax and Telecommunications Tax. The natural gas and electricity taxes vary by weather but are generally flat over time. The Telecommunications Tax is assessed on home phones, cellular phones, internet and pagers. It has declined with the reduced reliance on land lines for homes and with the trend toward Voice Over Internet Protocol (VoIP) for businesses. In 2014, the Village received $5.17 million in utility tax revenue (12% of General Fund total revenue)

Income Tax - The state collects income taxes and redistributes a portion of the total to municipalities based on their population. In 2014, the Village received $4.58 million in income tax revenue (10% of General Fund total revenue).

Licenses and Permits - The Village establishes fees for permits and licenses to offset the cost of the services provided. Fees were revised in 2010 and 2011 to better reflect the administrative costs. The fees are revised annually in accordance with the User Fee, License and Fine policy adopted by the Village Council in 2010. The policy is available here: http://www.downers.us/public/docs/mayor_council/council_policies/LGM_User-Fee__License_and_Fine_Umbrella.pdf. In 2014, the Village received $1.69 million in license and permit fee revenue (4% of General Fund total revenue)

Cellular Equipment - The Village charges rental fees for the private placement of cellular equipment on its water towers and other infrastructure. This revenue source grows at about 4% per year. In 2014, the Village received $1.20 million in cellular equipment revenue (3% of General Fund total revenue).



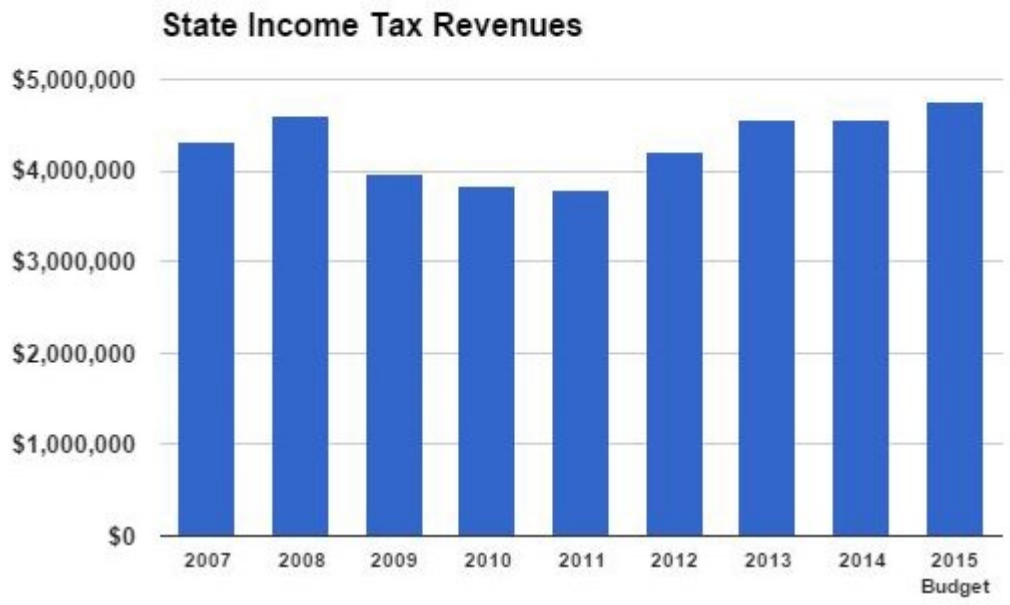
General Fund revenues may not increase as fast as expenses because:

1) Income tax revenue may be reduced by legislative actions of the Illinois General Assembly.

2) Property tax revenue may remain flat as the Illinois General Assembly may place a property tax freeze on all municipalities.

3) Sales tax revenue growth may be slow. While sales tax revenue increased by nearly 11% from 2011 to 2014, recent growth has been slow (less than 1% in 2014).

Income Tax Revenue May Be Reduced - As part of the FY15-16 budget, the State of Illinois is considering a reduction in local governments' share of the State income tax revenues. Currently, local governments receive one-tenth of the net collection of State income taxes, distributed on a per capita basis. The initial proposal was a 50% reduction, which would be $2.4 million annually. The share of the state income tax is approximately 10% of total General Fund revenues. The Village's share of the state income tax has increased from its lowest recession-era point in 2011 and in FY14 recovered to 2008 levels.

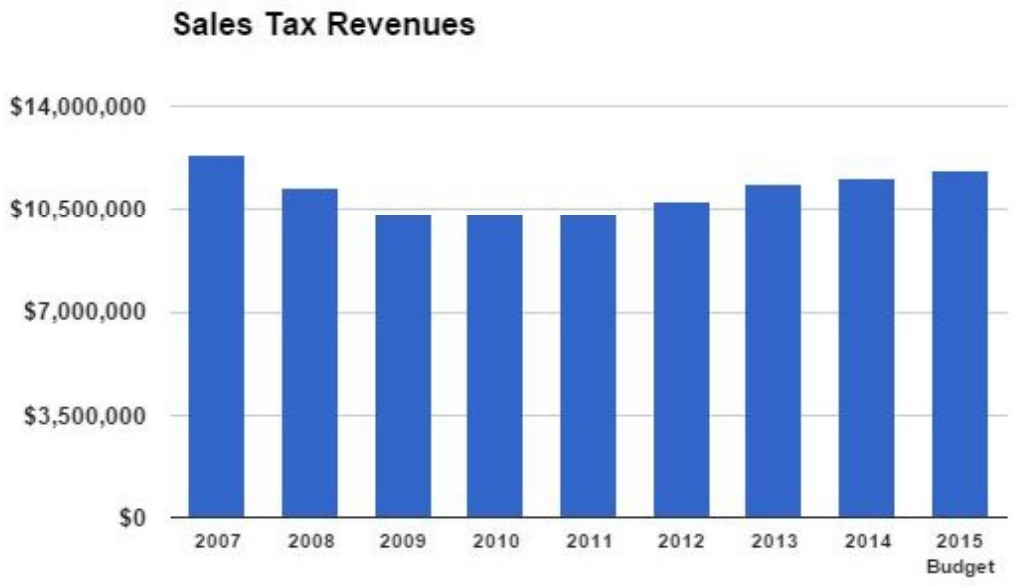


Potential Property Tax Revenue May Remain Flat - Currently, about 24% of the General Fund revenue is generated from property taxes. As part of the FY15-16 budget, the State of Illinois is considering a freeze on property taxes.

The Village is a home-rule community that it is not subject to existing tax cap laws and therefore has the authority to levy property taxes in the amount determined by the Village Council. Although the Village has the ability to increase the property tax levy, it has held the property tax levy for operations flat since FY11. The Village has only increased the property tax levy as necessary to make the required public safety pension contributions.

A property tax freeze would limit the Village's ability to increase revenue. Further a freeze would likely negatively impact the Village's AAA bond rating and increase the cost of issuing bonds for future infrastructure improvements.

Sales Tax Revenue Growth May Be Slow - Currently, about 26% of the General Fund revenue is generated from sales taxes. While sales tax revenue increased by nearly 11% from 2011 to 2014, recent growth has been slow. Sales tax revenue increased by only 1% in 2014. Sales tax revenues are estimated to be approximately $11.85 million in FY15, still lower than 2007 revenues of $12.39 million.



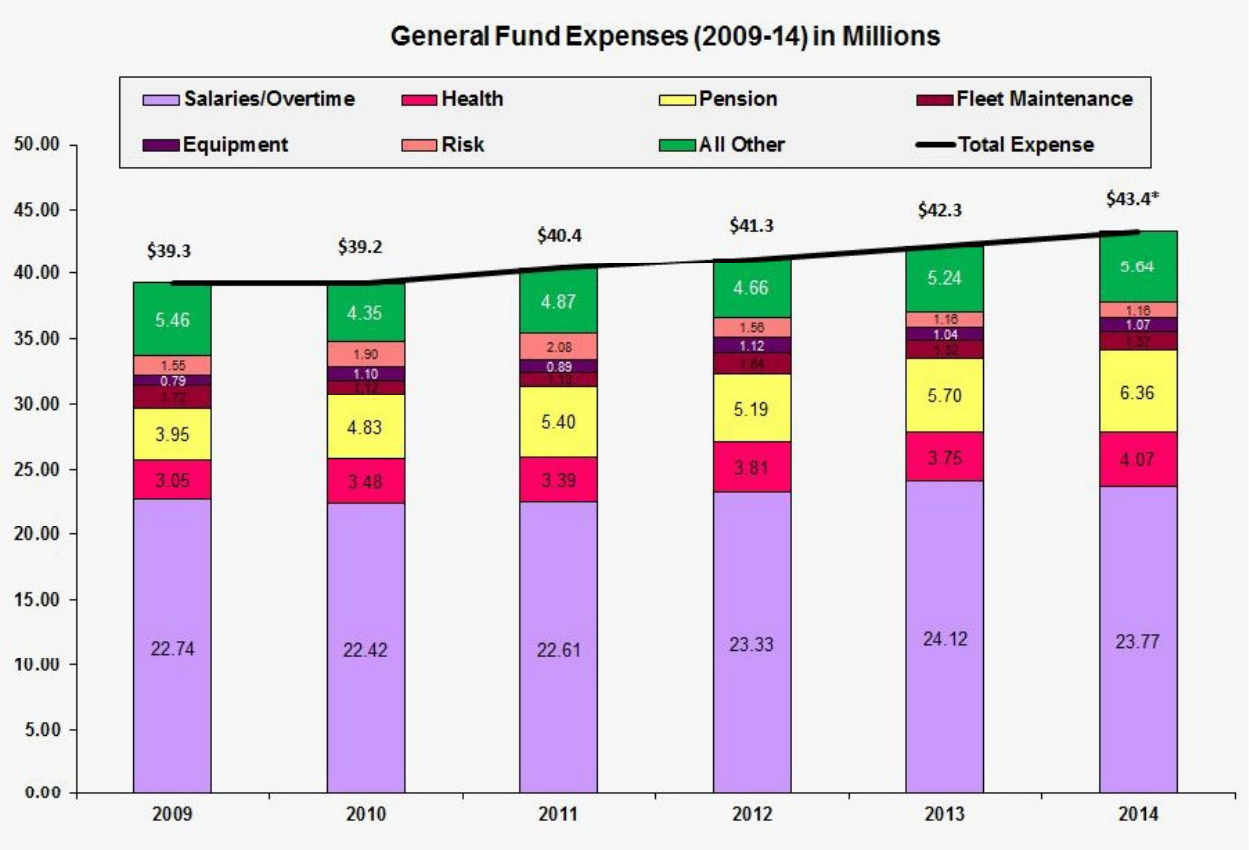
Retail Sales Activity Compared to Other Municipalities
An analysis by Chicago-based real estate advisers Melaniphy & Associates shows the Village has lagged behind other Chicago-area towns in recovering from the impacts of the recession on sales tax revenues.

- Sales tax revenue within the Village has not kept pace with most other municipalities in northern Illinois
- Retail sales were lower in 2014 than in 2007
- 2014 gross retail sales were 2.4% higher than in 2013, a growth rate ranking 15th out of the top 20 municipalities in Illinois

Expense Trends and Issues

Because the Village is a service organization, the vast majority of costs are related to the people delivering those services. Seventy-seven percent of General Fund expenses are personnel-related costs. Since 2010, the Village has taken several steps to reduce the pace of growth of personnel-related costs, including reducing staffing levels, changing the health benefit plans and partnering with other government entities.

The chart below shows the history of the major components of General Fund expenses.



*Note: FY14 actuals do not include the transfers from the General Fund balance to the Risk and Transportation Funds.

In the coming years General Fund expenses may increase at a rate faster than revenues. Personnel expenses, which account for 77% of expenses, are expected to increase by 4 to 5% per year.

Personnel expenses are likely to increase rapidly because:

1. Costs of public safety pensions have been increasing at over 13% per year and this trend is expected to continue.
2. Costs of providing health benefits have been increasing at about 7% per year and this trend is expected to continue.

3. Costs of salaries is expected to increase faster in the next three years than it has in previous years.

Costs of Public Safety Pensions - The Village's required annual financial contribution to the police and fire pension funds has been increasing rapidly for over a decade. This trend is expected to continue. In FY16, the Village will be required to contribute approximately $900,000 more than in FY15 - an increase of more than 19%.

FY16 Pension Fund Increase Cost Drivers

The FY16 increase in the cost of Public Safety Pensions is driven by:

- The impact of Government Accounting Standards Board (GASB) 67, a reporting requirement that has resulted in more conservative approaches to actuarial calculations
- Lower investment returns in FY15 than the assumed rate of 7.5%.

Between 2009 and 2014, the Village's contribution to the police and fire pension funds increased by 68%, an average of 13.6% per year. During this same time period, the Village reduced the number of police and fire department sworn employees by 10, from 161 in 2009 to 151 in 2014 (6.2% reduction).

Also, the percentage funded, one measure of the financial performance of pensions, for the police pension fund declined slightly while the fire pension fund percentage increased slightly. Over time, the total employee contributions to these funds has not increased.

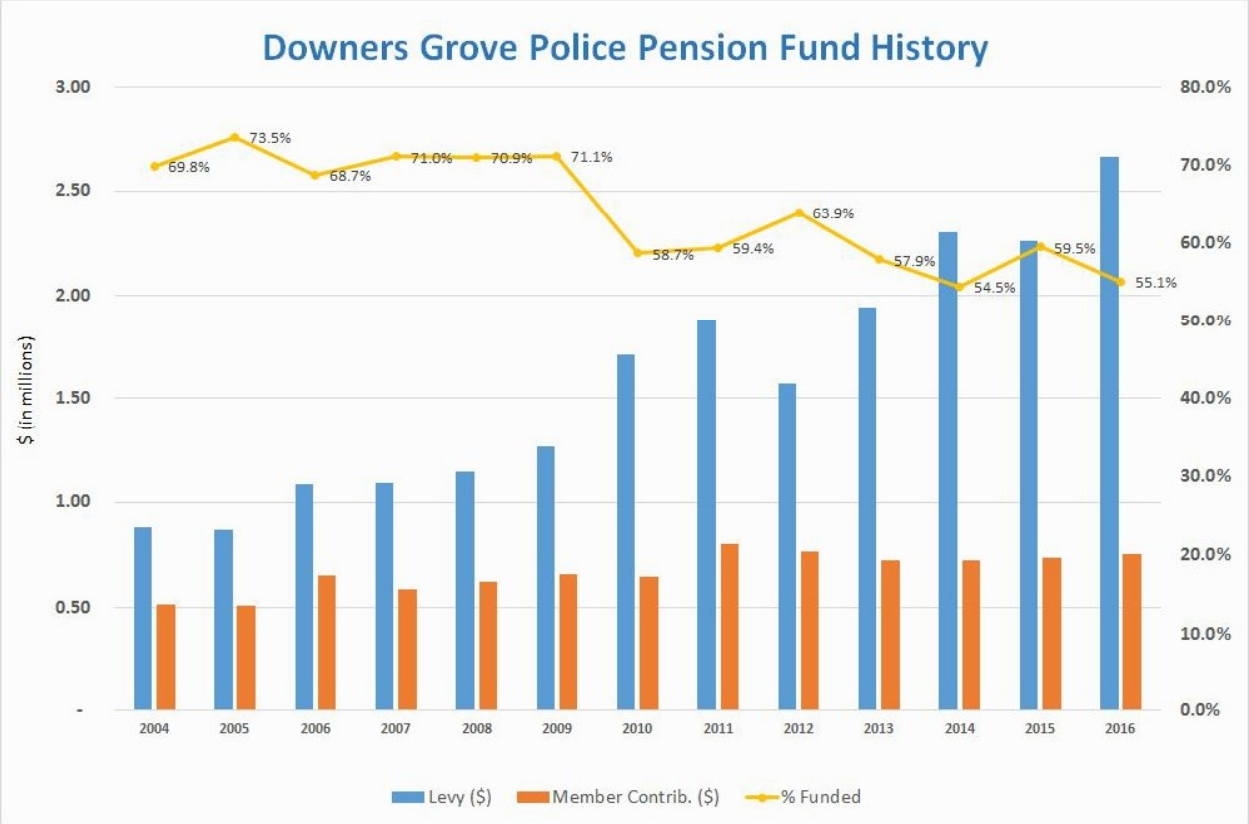
FAQ on Public Safety Pensions

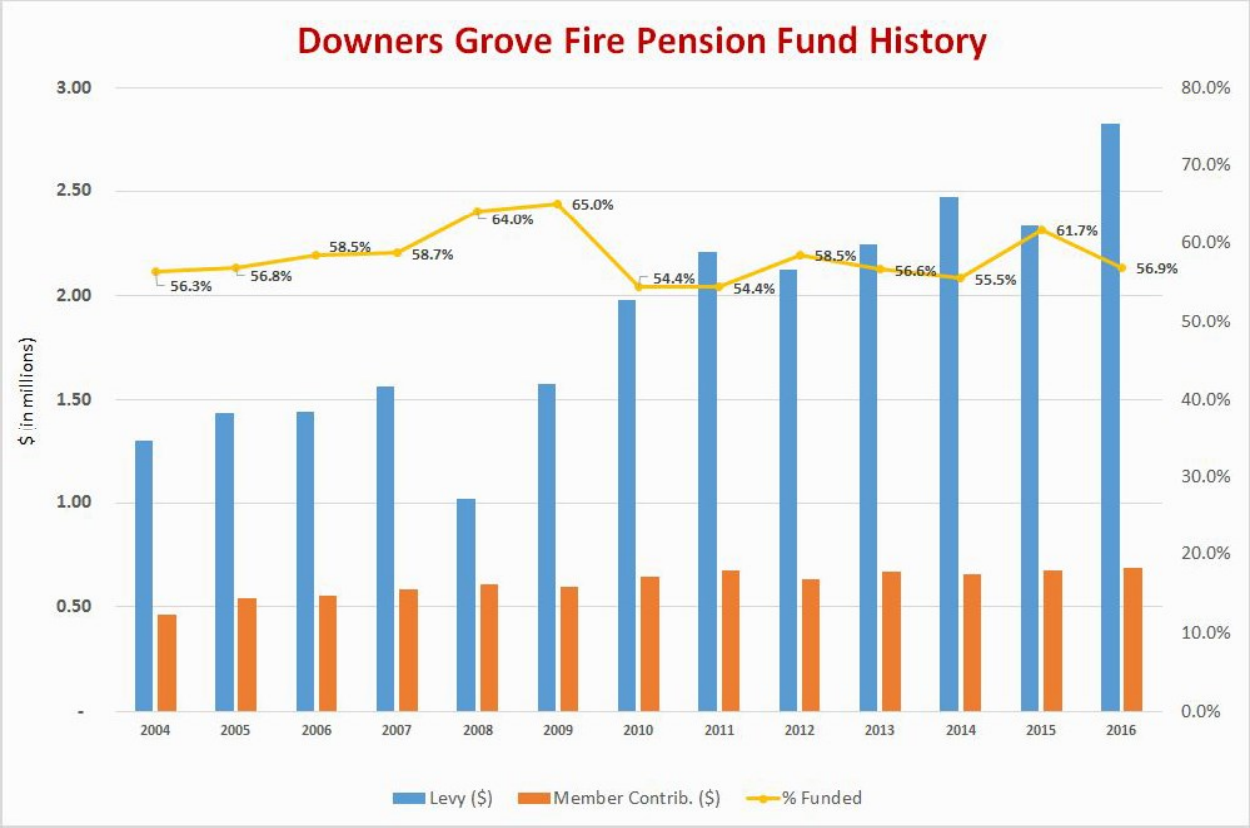
What Does "Public Safety Pension" Mean?
Police officers and firefighters are eligible for pension benefits upon retirement if they meet certain eligibility criteria which are set by State of Illinois law. Each municipality that employs police officers and firefighters must maintain a fund to pay the pensions. The pension funds are invested using parameters established by the State of Illinois to increase the value of the fund over time. The level of pension benefits is determined by State law.

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. This percentage is governed by State statute. The Village makes an annual contribution to each pension fund. The amount is based on an actuarial calculation that is determined 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.





Costs of Health Benefits - The Village provides medical, dental, vision and life insurance plans for Village employees and eligible dependents, as well as for employees of the Downers Grove Library, Downers Grove Park District and the Economic Development Corporation. The Village is self-insured for its benefit plans, which means that it pays claims costs in cash and contracts for a third-party administrator. This is more cost-effective than paying a third-party health insurance plan.

The cost of providing health benefits increased by over 33% from 2009 to 2014 (an average of 6.7% per year). This trend is expected to continue in the coming years.

The Village has made changes to its health plans to control costs. However, it requires ongoing attention to stay within the requirements of Health Care Reform and contain costs. Strategies for slowing the growth of healthcare costs include:

- An increased focus on wellness programs for employees and their eligible dependents
- Plan changes to incentivize cost-effective choices by employees, such as the transition to a high deductible plan
- Prescription drug benefits that encourage management of risk factors

Costs of Salaries - While the aggregate salary-related costs have increased by less than 1% per year since 2009, these expenses are expected to increase by approximately 4%-5% per year in the next few years. The Village slowed the pace of growth in salaries by reducing overall staffing levels by

approximately 40 full-time positions from 2007 to 2014. Salary increases have been very small since 2009 due to the poor economic conditions.

The improving economy and labor market is expected to place inflationary pressures on salaries. Further staffing reductions would likely impact service levels significantly.

General Fund Solutions and Strategies

As stated earlier in this report, the Village has successfully aligned General Fund revenues and expenses over the past five years. From 2010 to 2014, revenues have exceeded expenses. General Fund expenses have increased at an average of only 2.7% per year. This financial performance was the result of the implementation of strategies identified in long range plans.

The Top and Medium Priority Action Items identified by the Village Council include two projects directly related to the strategies and solutions in the General Fund: *Create a Plan to Increase the Sales Tax Base* and *Complete One Major Consolidation Project.*

To address the trends and issues currently facing the General Fund, the Village will pursue the following solutions and strategies:

- Increase operating efficiencies - The Village will seek opportunities to implement lean improvements and use technology to provide the same level of services at a lower cost.
- Reduce personnel expenses - Personnel expenses can be reduced by lowering benefit costs and furthering risk management and safety efforts.
- Partner with others - The Village will seek to partner with other entities to capture the economy of scale, enhance revenues or reduce net operating expenses.
- Enhance the revenue base - Economic development continues to be a strategy for enhancing revenues.
- Continue to monitor state budget actions that could impact the Village and work to protect municipal revenues
- Continue to maintain reserve balances within policies
- Work with the Economic Development Corporation (EDC) to increase the sales tax base and Village sales tax revenue
- Identify and implement actions to reduce reliance on state-shared revenues
- Consider changes to service levels, increases to the property tax levy for operations, adjustments to existing revenue sources and adoption of new revenue sources, as necessary

INFRASTRUCTURE

The Village owns and maintains several major infrastructure systems, the physical assets and structures that are the backbone of the community. The major systems are:

- **Streets**: The Village maintains about 167 miles of streets.
- **Stormwater**: The stormwater system consists of three streams and 11 miles of stream, as well as ditches, detention basins and sewers designed to store and convey runoff.
- **Water**: The water system is a complex system made up of the physical infrastructure to store and deliver water (200 miles of water main, aboveground storage facilities, valves and hydrants) as well as back up wells and a monitoring and metering system.
- **Sidewalks**: There are more than 260 miles of sidewalk within the Village.
- **Facilities**: The Village owns seven major buildings, including Village Hall, the Police Station, Public Works and fire stations.

The Village has a strategic goal to provide ***Top Quality Infrastructure***. Each system has a recommended level of service, a standard by which progress toward *Top Quality Infrastructure* can be measured. Reaching the standard, maintaining existing infrastructure at that level, and being financially sustainable requires the type of long-range plans that the Village has put in place since 2010.

Keeping infrastructure in good condition also supports the Village's other strategic goals, including supporting a *Diverse Local Economy* and the stewardship goal of *Financial and Environmental Sustainability.*

Key Takeaways

This report provides additional detail on each system. The table below is a brief snapshot of the key issues detailed in this report.

System	System Magnitude	Key Issue
Streets	167 miles of streets	The Village should continue to follow the established plan to keep roads at a level where they can be maintained by crack- filling, patching and resurfacing. This will prevent more expensive reconstruction, saving money long-term.
Stormwater	12 miles of streams 7,000 drainage structures 315 detention facilities 130 miles of storm sewer pipes 140 miles of ditches 47,000 culverts	Due to insufficient funding, the Village is currently performing about half of the maintenance recommended and there are several identified capital improvement projects that cannot be constructed until 2018 to 2024. The Village should continue to increase funding for stormwater system maintenance and capital projects to improve the level of service.
Water	7 elevated storage tanks 6 rate control stations 200 miles of distribution mains 2,600 fire hydrants 2,700 valves Supervisory Control & Data Acquisition System (SCADA)	The Village should continue to collect enough revenue through water rates to fund its operations, the maintenance program consisting of replacement and refurbishment of aging infrastructure, and purchase water from the DuPage Water Commission.
Sidewalks	260 miles of sidewalks	The Village's new construction sidewalk program is nearly complete and the existing sidewalk system is being maintained. The Village should prepare a new plan for sidewalk construction.
Facilities	Seven major buildings	Two major buildings (Village Hall and the Police Department) need repair or renovation. The Village should prepare a facilities sustainability plan.

Since 2010, the Village has implemented plans to invest in infrastructure. In the case of streets, water and stormwater, this includes addressing years of deferred maintenance. By bringing existing infrastructure up to good condition and replacing or repairing infrastructure on a planned schedule, the Village maximizes the useful life of its investment.

The Village's infrastructure investment is based on the following plans and studies:

Streets
- 2010 Pavement Condition Analysis

Sidewalks
- Sidewalk Matrix
- 2014 Ogden Avenue New Sidewalk Plan

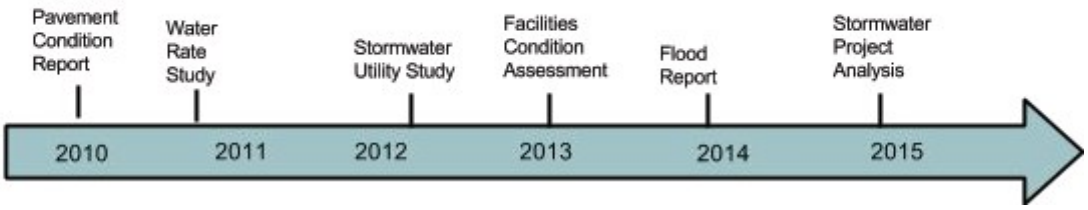
Stormwater
- 2006 Stormwater Master Plan
- 2012 Stormwater Utility Study

Water
- 2010 Water Rate Study

Facilities
- 2012 Facilities Condition Assessment

- 2013 Flood Report
- 2014 Stormwater Project Analysis

Plans/Studies



Two of the Priority Action Items identified by the Village Council directly relate to the Village's infrastructure: *Create a Facilities Sustainability Plan* and *Consider Changes to the Stormwater Utility*.

Streets

The Village owns and maintains 167 miles of streets. In 2010, the Village analyzed the pavement conditions on all its streets. The study showed that 22% of streets had fallen into a *Non-Maintainable* condition, which means they were in disrepair and could no longer be maintained with the regular maintenance program. These segments were in need of reconstruction which is the most expensive and disruptive type of pavement project; it is four times as expensive to reconstruct a street segment as it is to maintain it regularly. *Maintainable* condition refers to a street that is crack-filled, patched and resurfaced on a regular schedule and continues to function.

Recommended Level of Service	99% of street segments are in a maintainable condition (maintained by using crack sealing, patching and resurfacing at regular intervals, not requiring a complete reconstruction)
Current Status	By the end of 2015, the recommended level of service will be achieved
Recent Performance & Actions Completed	Reconstructed about 12 miles of failed streets from 2011 to 2015 From 2011 to 2015, completed recommended street maintenance activities including the resurfacing of about 43 miles of streets
Issue	Regular maintenance activities must be completed to continue to provide the recommended level of service
Strategies & Solutions	Continue to maintain streets according to the established maintenance plan Continue to provide about $4.6 million per year for street maintenance activities
Current Funding Amount & Sources	$4.6 million per year required $4.6 million per year provided Motor Fuel Tax Property Tax Home Rule Sales Tax Telecommunication Tax Grant Funding

Street Maintenance by the Numbers

Reconstruction Project	Year	Miles
Knottingham Subdivision	2012	2.2
Valley View Subdivision	2012	1.1
Grove Street	2012	0.25
Concorde Square Unit 2	2013	1.6
Oak Grove Unit III	2013	0.6
Esterbrook Subdivision Unit 1	2014	0.7
Brooke and Center	2014	1.1
Downers Grove Estates	2014	2
Clyde Estates	2015	1
Orchard Brook East	2015	0.75
Maple/Lacey (Planned)	2015	0.7
	TOTAL	12

A 16 to 20 year maintenance cycle for 167 miles of streets equates to 9.2 miles of resurfacing or reconstruction each year.

Annual Recommended Maintenance
(Resurfacing and Reconstruction)

9.2 miles per year

Actual Resurfacing and
Reconstruction since 2011

11 miles per year

Reconstructing a Street is Four Times as Expensive as Resurfacing

1 Mile of Reconstruction = $2,000,000
1 Mile of Resurfacing = $500,000

Recent Improvements

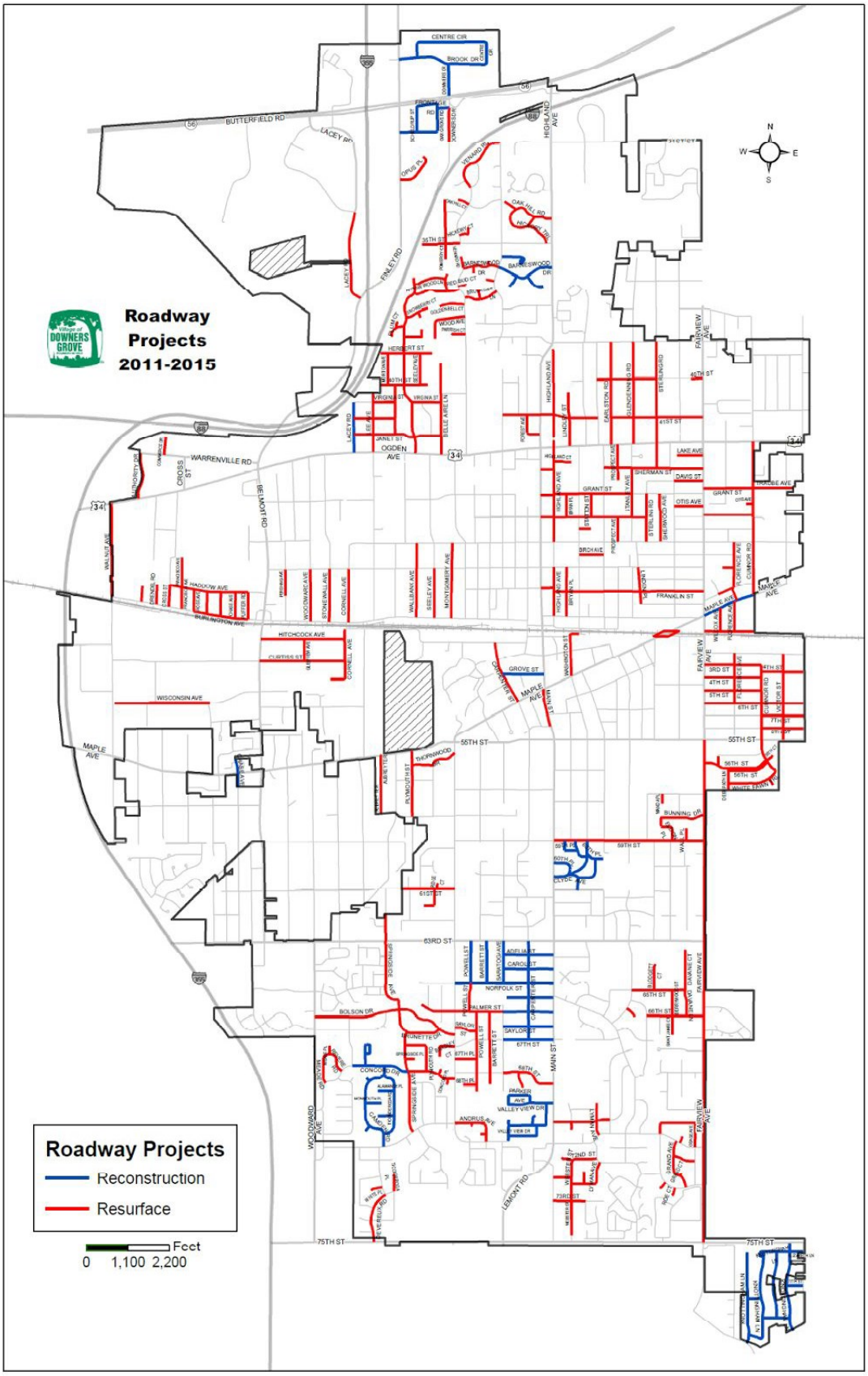
Since 2011, the Village has reconstructed 12 miles of streets in 11 neighborhoods (including projects currently underway), resurfaced 43 miles of streets, and completed regular crack-filling and patching on the remainder of streets. Street segments require resurfacing approximately every 16 to 20 years; in between resurfacing, the Village maintains the streets with crack-filling and patching.

Future Improvements

At the end of 2015, the Village anticipates that just a small fraction of the streets will need reconstruction. Almost all will be in a maintainable condition. In order to avoid future reconstruction costs, the Village should continue to follow a regular maintenance plan. The Village will spend approximately $4.6 million per year on street maintenance.

Year	2016	2017	2018
Village Resurfacing	$4,300,000	$4,300,000	$4,300,000
Federal Grant	--	$722,400	$630,000
Patching	$100,000	$100,000	$100,000
Crackfilling	$200,000	$200,000	$200,000
TOTAL	**$4,600,000**	**$5,322,400**	**$5,230,000**

Map of Street Projects 2011-2015



STORMWATER

Stormwater originates primarily from rain or melting snow. Water that does not soak into the ground becomes runoff. Every property generates runoff and benefits from the Village infrastructure system that manages stormwater. Without proper stormwater management, rain events may result in flooding on roads and properties throughout the Village, leading to property damage and dangerous road conditions. Stormwater runoff must be channeled through a system of pipes, ditches, catch basins and storm drains before being safely discharged into local streams.

Recommended Level of Service	Create and maintain a system that will safely convey and store runoff from 95% of the rainfall events experienced in any given year
Current Status	There are up to 2,000 properties at risk of flooding during moderate to severe storm events. Most of these properties are located in floodplains and localized poor drainage areas (LPDA's).
Recent Performance & Actions Completed	Completed 58 capital improvement projects at a cost of $28 million since 2008. Created the stormwater utility in 2013 generating approximately $3.7 million in revenue dedicated to stormwater system improvements and maintenance Increased stormwater system maintenance activities using funds generated by the stormwater utility Amended the stormwater utility in 2014 to exempt property tax exempt parcels from paying stormwater fees Amended stormwater regulations to decrease the threshold for constructing on-site volume controls from 2,500 square feet of impervious area to 700 square feet Completed the Stormwater Project Analysis Report in 2014 which assigns a priority level (High, Medium or Low) to each project based on the extent to which the existing stormwater system achieves the minimum service level standard and prioritizes projects within each level based on cost effectiveness (the cost of the project compared to the amount of impervious surface in the area served by the project)
Issue	Due to insufficient funding, the Village is currently performing about half of the maintenance recommended and there are several identified capital improvement projects that cannot be constructed until 2018 to 2024.

	The Village Council will revisit the stormwater utility model and user fee rates as a *Top Priority Action Item.*
Strategies & Solutions	Continue to increase funding for stormwater system maintenance and capital projects to improve the level of service Consider using funding sources other than stormwater fees to pay for capital improvements
Current Funding Amount & Sources	$7.8 million per year required for recommended level of service $3.7 million per year provided Stormwater Fees

The Village owns and operates an extensive stormwater management system which consists of:

- **Approximately 7,000 drainage structures**
- **315 stormwater detention facilities (majority are privately owned)**
- **130 miles of storm sewer pipes**
- **12 miles of streams**
- **140 miles of roadway ditches**
- **47,000 feet of culverts**

Recommended Level of Service

The recommended level of service is to create and maintain a stormwater management system that will safely convey and store runoff from 95% of rainfall events experienced in any given year. To achieve the recommended service, the stormwater management system must be properly maintained in all areas and enlarged or expanded in areas that lack adequately sized infrastructure.

The stormwater management system serves the entire Village. However, the level of service provided by the system varies. There are three general states of stormwater infrastructure:

- In some portions of the Village the stormwater infrastructure is modern and meets or exceeds the recommended service level.
- In other portions of the Village there is no formalized infrastructure and the service falls well short of the recommended level.
- Finally, in other parts of the Village, the infrastructure is adequately sized but will lose capacity to function fully if the Village does not increase maintenance activities.

The estimated cost of owning, operating and maintaining a stormwater system that meets the recommended level of service was determined when the Village created the stormwater utility in 2012 and is shown in the chart below.

Planned Stormwater Utility Rates Per ERU

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Fee	$9.72	$10.57	$11.48	$12.48	$13.57	$14.75	$16.03	$17.43	$18.95	$20.59	$22.39	$24.33	$26.45	$28.75

Plan for Establishing and Using Stormwater Fees

In 2013, the Village launched the stormwater utility. The utility model represents an equitable method to collect revenue from those properties that place a demand on the system. Revenue is generated by charging all property owners a monthly stormwater fee, based on the property's impact to the stormwater system. At that time, the Village created a plan for establishing stormwater fees that would increase revenues over a 15 year period, allowing the Village to move from the current level of service

to the recommended level within that time frame. The plan calls for annual increases in the stormwater utility fee of approximately 8.7% per year, which would increase annual revenue available for stormwater management from its current level of $3.7 million to about $11.4 million in 2028.

The plan also addresses the allocation of the stormwater revenue for maintenance and capital project expenses. The plan calls for:

- An annual investment of **$4.0 to $6.1 million in capital projects each year**. Capital projects identified in the current Community Investment Plan would be constructed from 2015 through 2017. Capital projects identified after the April 2013 flood in the 2014 Stormwater Project Analysis would be constructed from 2018 through 2024. Capital projects to be constructed from 2025 through 2028 would be identified in the future.
- Bond issuances of approximately **$10 million in 2018 and 2021 to pay for the capital projects**. The debt service will be paid by revenues from the stormwater utility.
- Perform approximately 50% of the annual recommended maintenance activities in 2014 and gradually **increase the maintenance activities performed each year for the next 15 years** until all recommended maintenance activities can be completed annually or at recommended intervals.
- **Planned spending on maintenance activities is less than the recommended level** and less than planned at the time the stormwater utility was created to provide funding for capital projects as described above

Modifications to the Plan

The Village Council will review the Stormwater Utility model as part of the *Top Priority Action Items*. In the meantime, up to $320,000 that is currently earmarked for new sidewalk construction could be used for stormwater capital projects and maintenance activities.

Burden of Stormwater Expenses

When the Village shifted to the stormwater utility model, it reduced the burden of maintaining the stormwater system on residents, as a greater proportion of revenues are paid by commercial, industrial and property tax exempt property owners. Residential properties previously contributed 76% of all revenues used for stormwater; now, these residential parcels will account for 52% of revenues.

Percentage of Total Share of Stormwater Utility Revenues by Land Use Category

Land Use Category	Amount of Impervious Area	Revenue in Property Tax Model	Revenue in Utility Model
Residential	47%	76%	52%
Commercial	36%	21%	39%
Industrial	8%	3%	9%
Property Tax Exempt	8%	---	---
Total	**100%**	**100%**	**100%**

When the Village implemented the stormwater utility in 2013, it reduced the property tax levy by $1.98 million. In 2015, the Village will collect an estimated $3.65 million in fees.

The plan going forward calls for an 8.7% increase in stormwater utility fees. The table below shows the impact to the typical house if the Village changes the funding model and seeks to generate the same amount of revenue ($3.65 million) via the property tax. The typical house would pay an additional $180.98 in property taxes; in contrast, the typical house would pay $116.64 in stormwater utility fees. Therefore, the property tax model would cost a typical house an additional $64 per year.

Typical Cost for a House in Utility vs. Property Tax Model

2015 Analysis	Utility Model	Property Tax Model	Difference
Revenue Available for Stormwater Fund	$3,652,290	$3,652,290	$0
VoDG Tax Levy	11,410,293	15,062,583	3,652,290
Annual SW Fee for Typical House	116.64	0.00	(116.64)
Annual VoDG Property Tax for Typical House	565.40	746.38	180.98
Total Paid by Typical House	682.04	746.38	64.34

Impact of Potential State-Imposed Property Tax Cap

A benefit of the Stormwater Utility system is that is not subject to the potential property tax limits. The Village would be able to continue to generate needed revenue even if the State of Illinois extends property tax caps to home-rule municipalities or enacts a property tax freeze.

Water System

The water system is a complex system made up of the physical infrastructure to deliver water to 16,700 customers (200 miles of water main, aboveground storage facilities, valves and hydrants) as well as a monitoring and metering system. The water system's operation and maintenance is funded solely through user fees, which means that all costs must be covered by water billing revenues.

Recommended Level of Service	100% of the water distribution system (watermains, water tanks, hydrants, valves, etc.) within its expected useful life
Current Status	About 70% of the system within its expected useful life
Recent Performance & Actions Completed	Implemented the recommendations of the 2010 Comprehensive Water Rate Study Report (5-year plan) Adjusted water rates annually from 2011 to 2015 to cover the cost of purchasing water from the DuPage Water Commission and the cost of owning, operating and maintaining the water distribution system Replaced about 60,000 feet of watermain from 2010 to 2015 Replacing 16,700 water meter transmission units Performed scheduled maintenance on water tanks, hydrants, valves and other system improvements
Issue	About 30% of the water distribution system is beyond its expected useful life and should be replaced in the next several years The cost of owning, operating and maintaining the water distribution system is expected to increase while the amount of water sold each year is expected to decrease Need to continue to adjust water rates to cover the cost of purchasing water from the DuPage Water Commission and the cost of owning, operating and maintaining the water system The DuPage Water Commission is no longer publishing multi-year water rate plans
Strategies & Solutions	Approve an updated 5-year water rate plan for 2016 to 2021 Continue to replace watermains and other infrastructure beyond its expected useful life Use the Illinois Environmental Protection Agency low interest loan program to pay for watermain replacements
Current Funding Amount & Sources	$15 million per year required $15 million per year provided Water customer user fees

Water Revenues and Expenses

The Water Fund is an enterprise fund, which means that its financial operations are independent from other Village operations. Revenues (rates) should be set at a point that will cover the costs of the system; water revenues do not support other operations in the Village. Ninety-eight percent of annual revenues are payments for water usage from customers; the Water Fund also takes in a small amount of revenues from permit activity.

The water system's annual expenses can be broken down into two major categories:

- **Purchase of Water:** The Village purchases water from the DuPage Water Commission, which purchases water from the City of Chicago. The cost of water is passed through on water rates and may vary significantly from year to year.
- **Operating and Maintenance Expenses (O&M):** This category includes all Village expenditures for water and includes:
    - **Operations Costs:** billing and administration expenses (salaries and benefits for water division employees), distribution and pumping costs and contributions to reserves.
    - **Existing Debt Service Payments:** The Village makes annual payments for bonds issued to complete capital projects. If the Village had not issued bonds, water rates would have had to increase close to 100% to cover the cost of the projects on a cash basis.
    - **Planned Capital Projects:** Some projects are completed on a cash basis (rather than financed through bonds issuances). The total cost of capital projects may vary from year to year; when this component is factored into the water rates, it is smoothed over several years.

Comprehensive Water Rate Study Report

In 2010, the Village completed a study of its water infrastructure and billing rates. The study found that the Village's water rates were not enough to maintain the infrastructure. If the Village did not make the necessary improvements, more than 50% of its assets were projected to be beyond their useful life by 2020.

The study recommended that the Village restructure its water rates to include a fixed meter charge and also recommended increases in water rates for the period of 2010-2015. The Village increased water rates higher than the plan after the City of Chicago announced increases in its water rates. The Village took the following actions in response to the study:

- Water rates restructured to include a fixed monthly charge based on meter size (most residences pay $12.59 bi-monthly) and a per unit rate ($5.96 per 100 cubic feet or approximately 750 gallons)
- Village increases implemented; rate plan was also adjusted to reflect pass-through increases from the City of Chicago

- Invested approximately $18 million in infrastructure, including 60,000 feet of watermain, refurbishment of the Maple Avenue Water Tower, update to the remote monitoring system (SCADA) and replacement of the meter transmission units for the automatic metering system.
- Issued $10 million in bonds in 2012, $5 million in 2015 and pursuing low-interest IEPA loans for the next five years

The table below shows the annual water rate increases, as well as the annual investment in water infrastructure that the Village was able to make as a result.

History of Water Rates

	2010	2011	2012	2013	2014	2015
Bi-Monthly Water Rate	$3.04	$3.30	$4.13	$4.89	$5.23	$5.96
Percentage Increase	-	9%	25%	18%	7%	14%
Water Infrastructure Investment	$903,200	$347,316	$5,705,590	$2,575,167	$3,732,088	$5,629,500

Update to the Comprehensive Water Rate Study Report

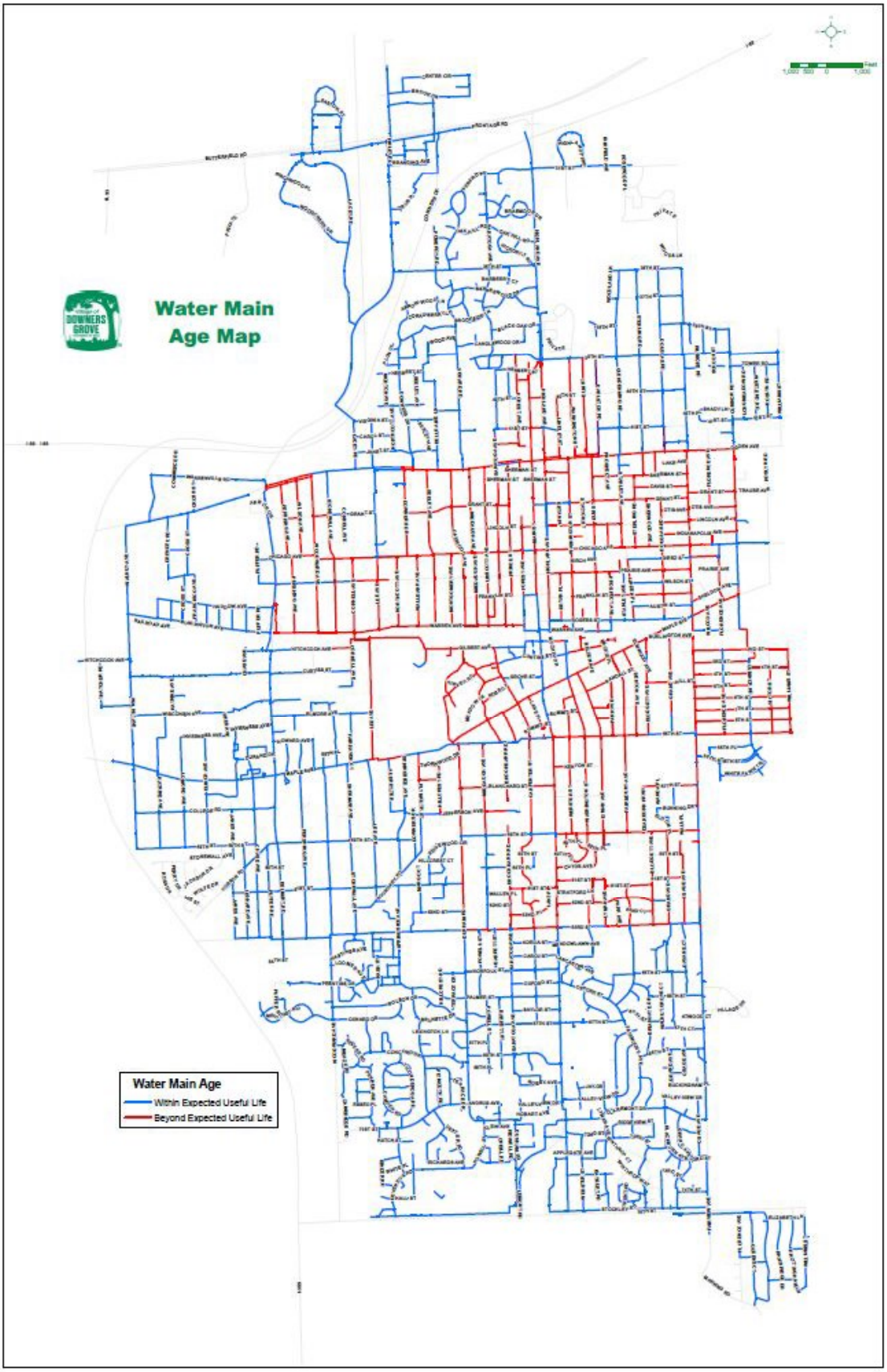
The Village worked with Municipal and Financial Services Group (MFSG) to update the 2010 study. The study assumes that the Village will make on-going investments in capital infrastructure to maintain its current infrastructure and replace the infrastructure that is beyond its useful life. Below is the recommended rate plan. The rate model has the following key points:

- A 6% increase in 2016, followed by 5% increases through 2020
- The 'pass-through cost of water' is 60-65% of the rate each year. If the cost of water did not increase, the Village would have to increase the rate by 3.0% to 3.5%.
- The 'pass-through cost of water' is assumed to increase by 4%. If the cost of water increases by more than 4% annually, the Village will have to increase rates accordingly.
- Rate increases are smoothed. The actual revenue requirement might vary from year-to-year to accommodate capital projects or other expenses.

Recommended New Water Rate Plan

	2016	2017	2018	2019	2020
Annual O&M	$4,254,932	$4,331,267	$4,426,339	$4,559,129	$4,695,903
Estimated Annual Cost of Water	$8,971,794	$9,239,930	$9,516,131	$9,825,405	$10,144,731
Recommended Rate Increase	6.0%	5.0%	5.0%	5.0%	5.0%
Resulting Per Unit Rate	$6.32	$6.63	$6.97	$7.31	$7.68

Map of Watermains - Within and Beyond Expected Useful Life



Sidewalks

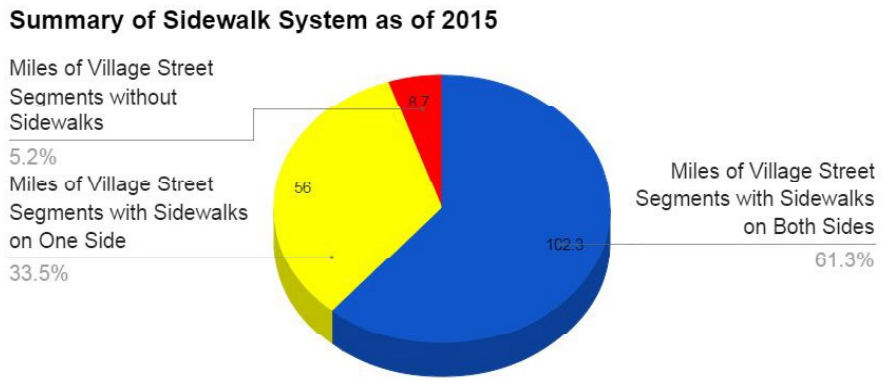
The Village has been constructing new sidewalks for the past several decades. The construction of new sidewalks supports the long-standing goal of providing a sidewalk on at least one side of every street within the Village. This goal, identified during Total Community Development II in the early 1990's, is intended to improve pedestrian safety and enhance pedestrian access throughout the Village.

Recommended Level of Service	A sidewalk on at least one side of every street All sidewalks maintained in a safe condition
Current Status	95% of street segments have sidewalks on at least one side Sidewalks are being maintained according to industry standards
Recent Performance & Actions Completed	The Village has been constructing new sidewalks according to the sidewalk prioritization plan for the past several decades Constructed approximately 6.75 miles of sidewalks from 2011 to 2015 In 2014, the Village Council approved a plan for the construction of the remaining sidewalks along Ogden Avenue For the past several years, the Village has completed sidewalk maintenance activities according to industry standards In 2015, the Village Council decided to not construct new sidewalks in Clyde Estates
Issue	The multi-year new sidewalk construction prioritization plan is nearly completed
Strategies & Solutions	Continue to maintain the existing sidewalk system Temporarily stop constructing new sidewalks on a Village-initiated basis Consider constructing new sidewalks in response to resident requests Allocate funds traditionally used for new sidewalk construction to other Village needs
Current Funding Amount & Sources	$200,000 per year required for maintaining the current system $200,000 per year provided Property Tax Home Rule Sales Tax Telecommunication Tax

Since the early 1990s, the Village has been following a new sidewalk construction plan commonly referred to as the Sidewalk Matrix to identify and prioritize the construction of sidewalk segments. Construction of the sidewalk segments included in the Sidewalk Matrix is scheduled to be completed in 2016.

In addition to new sidewalks, the Village maintains the existing system by replacing and repairing existing sidewalk segments. The Village is also responsible for maintaining pedestrian improvements, such as pedestrian signals at intersections and ADA-accessible curb ramps.

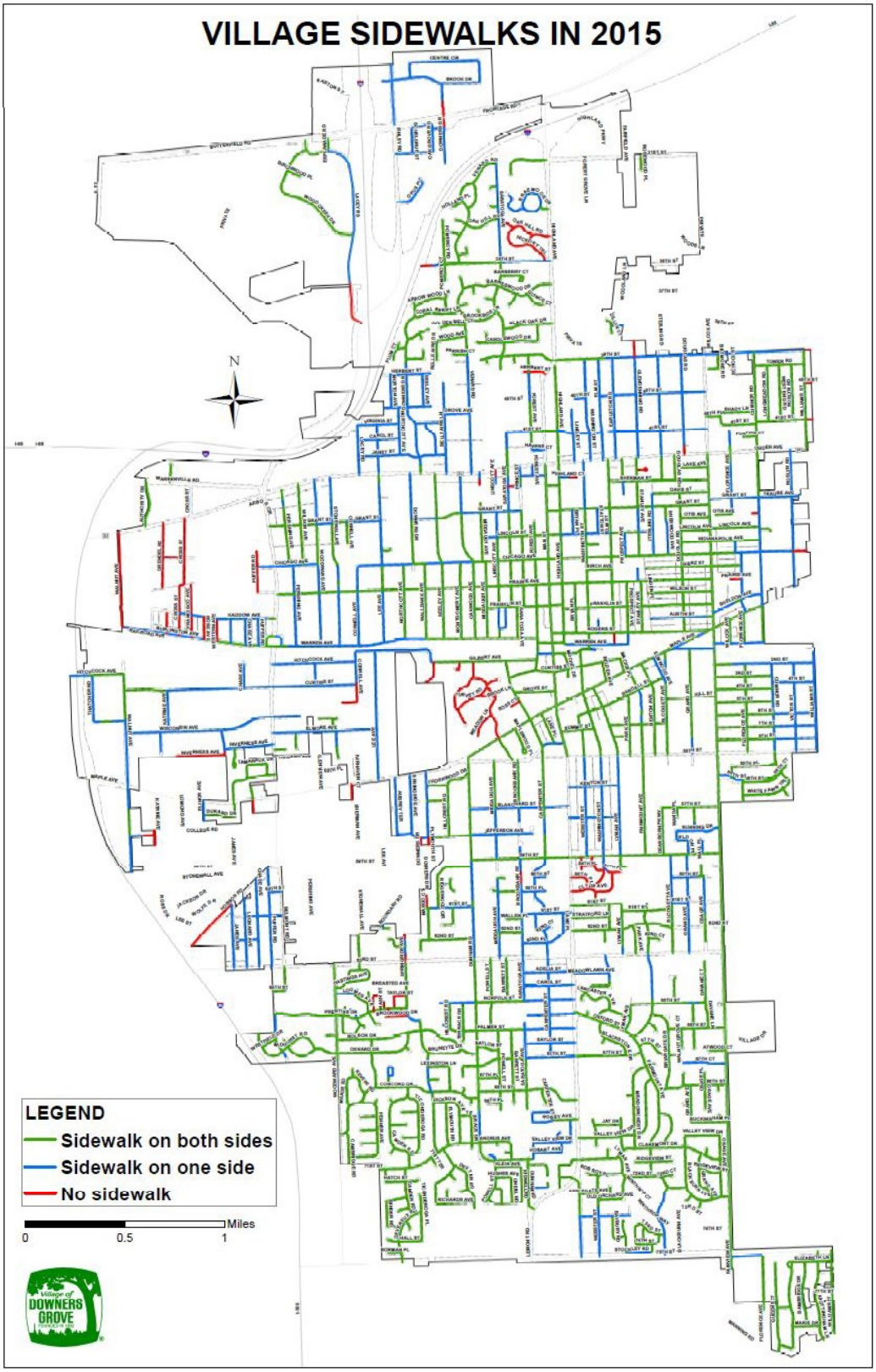
The chart below shows the results of the Village's sidewalk construction projects. Nearly all street segments have sidewalk on at least one side.



The chart below shows the annual sidewalk-related expenses for the past five years.

Expense Type	2011	2012	2013	2014	2015 (Budget)
New Sidewalks	$244,000	$608,000	$498,000	$568,000	$405,000
Sidewalk Repair & Replacement	$286,000	$181,000	$197,000	$201,000	$211,000
ADA Accessibility Upgrades	--	--	$46,000	$67,000	$50,000

Map of Village Sidewalk System



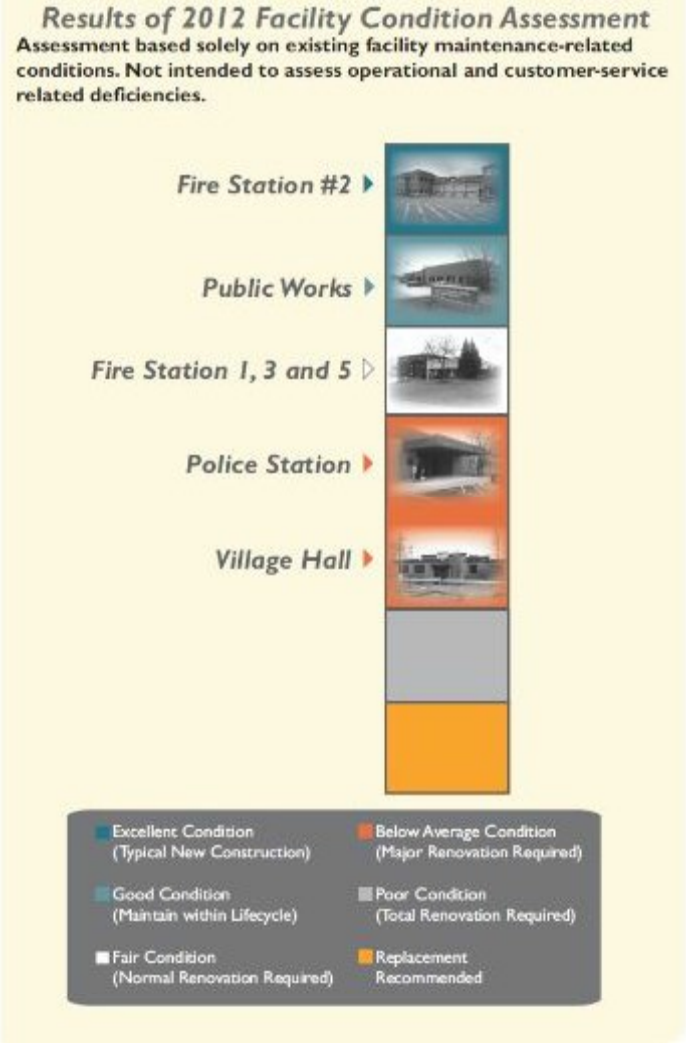
Facilities

The Village owns and operates seven major buildings that must be properly maintained. Five buildings are in a maintainable condition of *Excellent, Good or Fair*. The Police Station and Village Hall are in *Below Average* condition.

Recommended Level of Service	All 7 Major Village Facilities in Maintainable Condition
Current Status	5 of the 7 Major Facilities in Maintainable Condition
Recent Performance & Actions Completed	Completed a Facility Condition Assessment in 2012 Invested $250,000 to $450,000 annually in facilities maintenance activities since 2010
Issue	The Police Station and Village Hall are in Below Average condition and do not provide modern work spaces that allow for efficient and effective interactions among employees and customers. Both facilities have outdated major building systems that will require significant investment to replace. The Police Station and Village Hall are in need of major renovation. The 2012 Facility Condition Assessment identified over $10 million of recommended improvements for the Police Station and Village Hall
Strategies & Solutions	Continue to maintain the five facilities using existing revenues Evaluate options for maintaining, improving or replacing the Police Station and Village Hall using existing and new revenues.
Current Funding Amount & Sources	$500,000 per year required for maintenance of 5 major buildings $500,000 per year provided Property Tax Home Rule Sales Tax Telecommunication Tax

Preparing for Improvements to the Police Station and Village Hall

The Below Average condition of the Police Station and Village Hall require major renovations to both facilities. The Village will examine a range of options to address this issue ranging from renovating the buildings to constructing new buildings. All options will be examined with the following key concepts in mind:



Efficient Use of Facilities
Facilities should be treated as capital assets that must be used efficiently, maximizing the use of each space within each facility.

Consider How Modern Workers Work
Staff members use technology extensively. Access to computers and phones is no longer tied to a specific place or office. Many workers are or can be mobile. Because of our collaborative environment, much of our work is performed in groups while working in common areas or conference rooms.

Create Flexible Work Spaces
Spaces within each facility should be flexible so that they can be used by multiple people for a variety of uses and functions during many times of the work day.

Build Only What is Needed
Facilities should be right-sized such that the Village builds only what is necessary to achieve the stated goals. This means that traditional approaches to space planning and programming based on a staff member's position in the organizational chart should be re-examined. Spaces should be built, sized and designed based on the functions that will be performed by the staff members and customers using the space. Existing community resources such as existing Village facilities and other public facilities should be considered prior to constructing new facilities. The existing facilities should be used as efficiently as possible in an effort to minimize the facilities that may be constructed or remodeled.

Seek Partnerships
Many of the governments that serve the residents of Downers Grove are facing the same or similar challenges of owning and maintaining facilities. Partnering with other governments and agencies should be encouraged in an effort to reduce the overall costs of owning and maintaining public facilities. The Village should consider all fiscally responsible financing methods and pursue public-private partnerships if the partnership represents a long-term value to the community.

PRIORITY ACTION ITEMS

The Village Council established Top and High priority action items for the period of September 2015 through April 2017. *Top* and *High* priority action items are Council priorities for Council policies or revisions to existing programs and policies. There are 13 total Top and High priority items.

The Village will be working on many initiatives and actions in the next two years that will not be discussed as part of the long-range planning process, yet these activities will also support the Village Council established goals. Two of the most significant on-going projects are the waste hauling contract implementation and collective bargaining. The Village will negotiate four of its five collective bargaining agreements (Fire, VOC, Police Sergeants, Police Patrol) in this two-year period. In addition, there is expected to be substantial work that occurs each year based on unexpected (typically severe weather-related) events.

Attached are summaries of each action item including the scope of the item, desired outcomes, and schedule for completion.

Criteria for Priority Action Items

Priority Action Items reflect Council priorities for new policies or revisions to existing programs and policies. The criteria for a Council Priority Action Item include:

- **Support of Strategic Plan Goals and Key Issues** - the action should achieve a measurable result that supports one or more of the Strategic Plan Goals and/or Key Issues addressed during Long-Range Planning.
- **Village Council Policy Direction Required** - the action requires the Village Council to provide policy level direction to be completed.
- **Six Months or More to Complete** - the action requires significant staff and/or Village Council time; six months or more from the time staff begins work on the action to the time the action is completed.
- **Multi-Departmental Effort** - the action requires effort from more than one Village department.

Priority Action Items

Item	Description *This Action Item consists of...*	Priority Level (Top or High)
Create a Facilities Sustainability Plan	Creating a plan to address maintenance and functional needs of the Village's buildings, including Village Hall and the Police Station	Top
Review the Zoning of the Perimeter of the Downtown	Considering amendments to the zoning regulations and zoning classifications of the properties around the perimeter of the downtown	Top
Update the Comprehensive Plan	Completing a 5-year review and update to the plan, which has been in place since 2011	Top
Consider Changes to the Stormwater Utility	Reconsidering the method of generating revenue for stormwater infrastructure and operations and maintenance	Top
Create Economic Development Plan to Enhance Sales Tax Base	Creating a plan to increase the sale tax base and Village sales tax revenue	Top
Identify and Execute One Major Consolidation	Working with other local agencies to find a consolidation opportunity that could be successfully implemented and would reduce costs or enhance revenues for the Village	Top
Review the Sign Ordinance	Considering amendments to sign regulations in response to the recent US Supreme Court ruling and to the completion of the enforcement of the compliance deadline	High
Explore Intergovernmental Partnerships to Respond to Human Service Issues in the Community	Engaging other agencies and local nonprofits, as well as the Human Service Commission, to identify partnerships that would address social service issues	High
Review the Zoning Map	Reviewing key areas on the zoning map to determine whether the existing zoning matches the community's vision for potential future development and is consistent with the Comprehensive Plan	High
Consider Amendments to the Historic Preservation Ordinance	Considering amendments to the Historic Preservation Ordinance and program	High
Review the Building and Development Permitting Process	Reviewing the process and performance for issuing building permits (includes a review of the building codes, the administration of the codes and the inspection process)	High
Conduct Resident Survey	Implementing a community-wide survey to obtain input from residents about Village services	High
Develop *Business Friendly* Metrics	Identifying methods to assess the impacts of Village regulations, taxes, fees and services on businesses and compare the impacts to other municipalities	High

2015-17 Long-Range Plan Key Issues Update

On September 5, 2015, the Village Council approved the 2015-17 Long Range Plan. The Village Council developed the Long-Range Plan during the three-month period of June to August 2015. The Long-Range Plan consists of the Strategic Goals, solutions and strategies to address key issues affecting the future of the Village and a list of Priority Action Items that will serve as the work plan from September 2015 to April 2017.

On May 10, 2016, the Village Council updated the Priority Action Items work plan.

The purpose of this update is to identify and discuss key issues which may materially affect the Village in the next one to three years and which may affect the proposed FY17 municipal budget.

Staff has identified the following issues:

- Potential Increases to the Property Tax Levy
- Unfunded Liabilities for Public Safety Pensions and Other Post Employment Benefits

The issues are summarized in the next pages of this report.

STRATEGIC GOALS

The Long Range Plan contains these five Strategic Goals to guide Village actions from 2015 to 2017 and beyond.

- Steward of Financial, Environmental and Neighborhood Sustainability
- Exceptional Municipal Services
- Top Quality Infrastructure
- Strong, Diverse Local Economy
- Continual Innovation

Property Tax Levy History

Levy for Public Safety Pensions

- Increased 46.8% over the past five years rising from $3.74 million in 2012 to $5.49 million in 2016

Levy for Capital Projects

- Remained constant at $0.97 million since 2013
- Decreased from $2.63 to $0.97 million in 2013 with the creation of the Stormwater Utility

Levy for Operations

- Decreased 13.2% over the past five years dropping from $6.73 million in 2012 to $5.84 million in 2016
- Decreased from $6.73 million to $5.90 million in 2013 with the creation of the Stormwater Utility

Levy for Library Improvements

- Remained flat at about $620,000 from 1996 to 2015
- Decreased to $330,000 in 2016 to make the final payment on the library improvements bonds
- Will not be levied in the future as the bonds for the library improvements were paid off in 2016

Future Property Tax Levy

Levy for Public Safety Pensions - Expected Increase of $800,000 to $1.3 Million by 2018

- Will increase by $500,00 in 2017 and by approximately $300,000 annually, all else equal, beginning in 2018 to make the required contributions pursuant to state law
- May increase by up to $500,000 in the next year or two if the Police Pension Board and Fire Pension Board change the assumed investment rate of return from 7.5% to 7.25%

Levy for Police Station Improvements - Planned Increase of $600,000 in 2018

- Planned to increase by $600,000 beginning in 2018 to make the annual debt service payments on the planned $14.5 million bond issuance to pay for the addition and renovation to the Police Station
- Will be offset by the elimination of the $620,000 levy for the library improvements

Levy for Operations & Levy for Capital Projects - Potential Increase of up to $3.9 Million in 2017

- Could increase by up to $3.9 million if the revenue for the Stormwater Fund is shifted from stormwater fees to the property tax levy
- The increase, if any, could be phased in over multiple years
- Any increase will be offset by an equal reduction in the revenue generated by stormwater fees

Potential Property Tax Levy, 2017 - 2018

Year	Levy Amount	Potential Increase to Levy	Percent Change to Prior Year	Annual Payment for Typical House
2016	$12.3 million	--	--	$609
2017	$12.8[a] to $17.2[b] million	$0.5 to $4.9 million	4.1% to 39.8%	$634 to $851
2018	$13.7[c] to $18.1[d] million	$0.9 million	5.2% to 7.0%	$678 to $895

Notes

A. The $12.8 million levy assumes that the public safety pension levy will increase by $500,000
B. The $17.2 million levy assumes that the public safety pension levy will increase by $1.0 million and $3.9 million will be added to the levy for stormwater related expenses
C. The $13.7 million levy assumes the $12.8 million levy for 2017 will be increased by $900,000 ($300,00 0 increase for public safety pensions and $600,000 for the police station bonds)
D. The $18.1 million levy assumes that the $17.2 million levy for 2017 will be increased by $900,000 ($300,000 increase for public safety pensions and $600,000 for the police station bonds)

	Public Safety Pension Unfunded Liability	Other Post Employment Benefits Unfunded Liability
Issue	The unfunded liability for public safety pensions has increased (percent funded has decreased) while Village contributions to the pension funds has increased. The unfunded liability now appears in the Village financial statements and may affect future bond ratings.	The unfunded liability for the required provision of retiree health benefits has been calculated as required by the Government Accounting Standards Board (GASB). The unfunded liability will appear in Village financial statements beginning in 2018 and may affect future bond ratings.
Background & Key Facts	Public safety pension benefit levels are set by the State. The Village has made all required contributions to the public safety pension funds. Since 2013, the Village has contributed more than the required contribution to the public safety pension funds. The unfunded liabilitie s for each fund are: Police: $40,512,814 Fire: $37,537,259 The percentage funded amount has declined for both pension funds despite significant increases in the Village contributions.	All municipalities are required to provide retirees access to the employee health benefit program. The OPEB unfunded liability is the actuarially calculated difference between the amount paid to the Village by retirees and the amount the Village will have to pay to provide their health benefits. The unfunded liability is $11.5 million. Recent GASB pronouncements require all municipalities to calculate their OPEB unfunded liability amounts and to include them in financial statements beginning in 2018. In 2012, the Village reduced the OPEB unfunded liability by $7.2 million by providing health benefits to retirees 65 years of age and older using a fully insured Medicare Supplement plan. The provision of required Public Safety Employee Benefit Act benefits to retired injured public safety employees has increased the OPEB unfunded liability by $3 million since 2014.
Strategies & Solutions	Contribute money in excess of the required contribution amount to the public safety pension funds on an annual basis. Consider changes in public safety staffing levels to reduce future pension liabilities.	Consider establishing an OPEB trust to fund current and future liabilities similar to a pension fund. Consider changing employee contribution amounts to reduce the Village's unfunded liability.

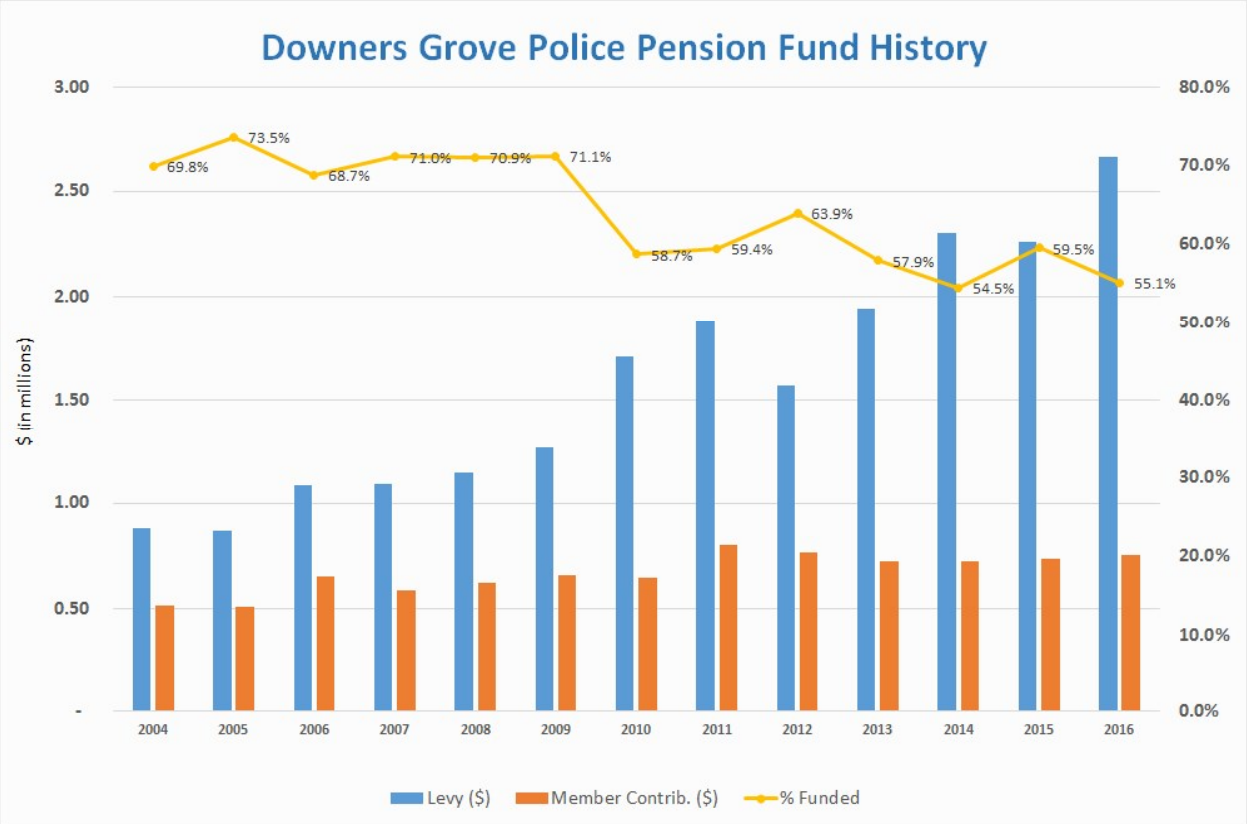
FAQ on Public Safety Pensions

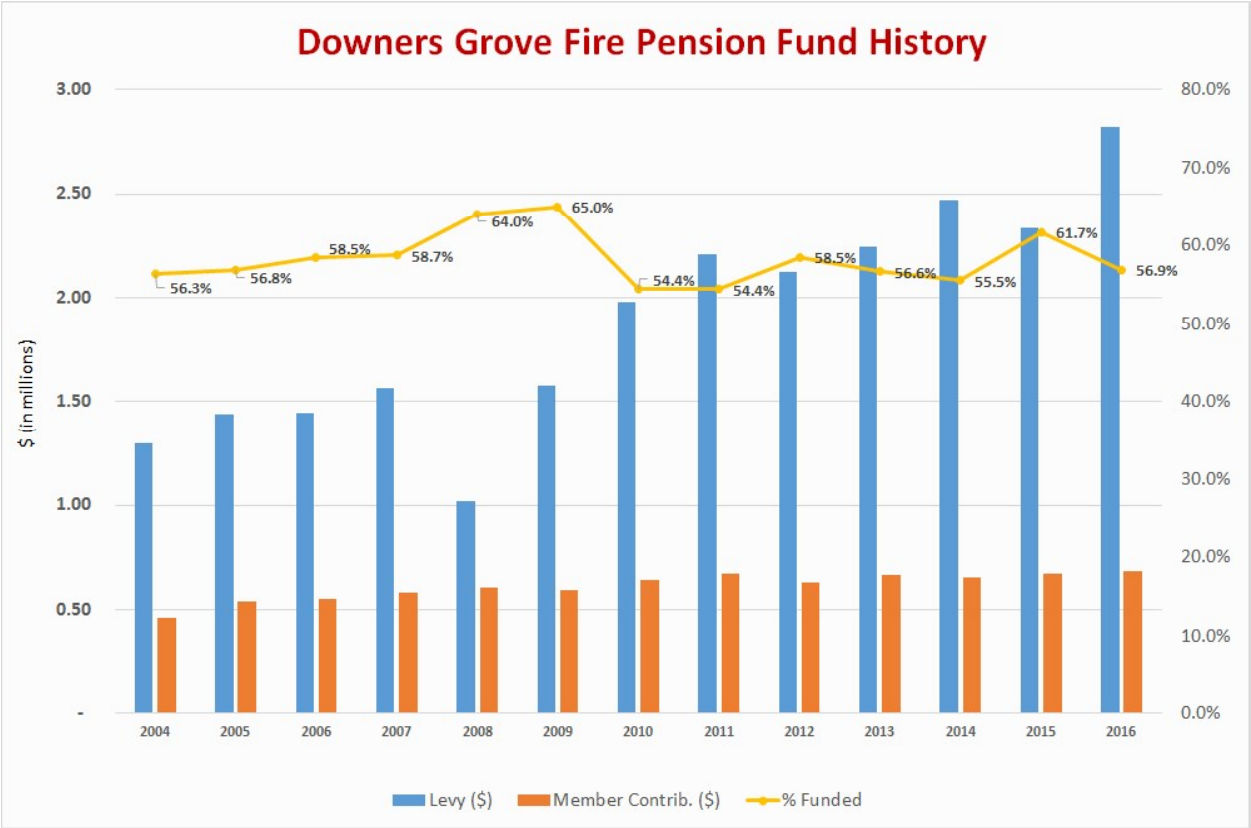
What Does "Public Safety Pension" Mean?
Police officers and firefighters are eligible for pension benefits upon retirement if they meet certain eligibility criteria which are set by State of Illinois law. Each municipality that employs police officers and firefighters must maintain a fund to pay the pensions. The pension funds are invested using parameters established by the State of Illinois to increase the value of the fund over time. The level of pension benefits is determined by State law.

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. This percentage is governed by State statute. The Village makes an annual contribution to each pension fund. The amount is based on an actuarial calculation that is determined 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.




Downers Grove Fire Pension Fund History
$ (in millions)
3.00
2.50
2.00
1.50
1.00
0.50
-
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
56.3%
56.8%
58.5%
58.7%
64.0%
65.0%
54.4%
54.4%
58.5%
56.6%
55.5%
61.7%
56.9%
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
Levy ($)
Member Contrib. ($)
% Funded