

Approved 1/7/03

**Village of Downers Grove
Finance & Administration Committee Meeting
Village Hall – Village Manager's Office
December 17, 2002**

Commissioner Zabloudil called the meeting to order at approximately 5:35 p.m.

Present: Commissioner McConnell, Commissioner Zabloudil, Village Manager Ginex, Dave Van Vooren, Trisha Steele, Mike Baker

Absent: None

Others

Present: Commissioner Schnell, Jack Bajor

Items for Discussion:

- Approval of Minutes
- Fund Balance & Cash Balance - Update
- Budget Update
- Discussion – Refinancing 1996 Library Bond Issues
- Storm Water Revenue Update
- Abatement of Tax Levies for Debt Service
- BFI Contract Extension Update

Approval of Minutes

Commissioner Zabloudil asked if there were any additions or corrections to the November 5, 2002 or the December 3, 2002 Finance and Administration Committee meeting minutes. Hearing none, the minutes were approved.

Fund Balance & Cash Balance Update

Ms. Steele said discussion of the Cash Balance was included in the November 2002 Treasurer's Report distributed on Friday, December 13, 2002. Ms. Steele said the cash balance has been erratic. Although the consensus was to reduce cash reserves, with erratic revenues, Ms. Steele said the Village's cash reserves were dropping below the comfort level. She pointed out that the high point for Village revenues each fiscal year generally occurs in October, after the last property taxes are received. In 1999, from October until July, when the next property tax revenues are received, there was a \$5 million dollar jump, the next time was \$6.5 million and this last year it was \$8 million.

Ms. Steele said the Village no longer has the option to continue in this manner and she advised that the Village must devise some other controls at this point.

Commissioner Zabloudil asked Ms. Steele's projection for the future based on past swings. Ms. Steele said if the Village does not make some modifications, it could be down close to \$1 million and could actually "hit bottom". Ms. Steele cautioned that this really should be watched closely. Ms. Steele said there is some leeway with the Water Fund. Ms. Steele said staff would like to know what the Committee feels comfortable with.

Ms. Steele said the current Fund Balance is based on an unobligated cash balance. She added that the Treasurer's Report is done on a cash basis. She asked the Committee for some direction on the Fund Balance. Ms. Steele said that the Village has allowed the Fund Balance to go too low and she suggested that the Village establish a target Fund Balance.

Commissioner Zabloudil asked how addressing the Fund Balance would help with the present cash balance. Ms. Steele said the Village Council must rethink the policy and decide what they want in the future. Those decisions will give staff the necessary guidance to address the current issue. Ms. Steele asked the Committee to review the current Fund Balance Policy and discuss it again at a future meeting.

Commissioner McConnell said the Council has acknowledged that they need to set a number or percentage for the Fund Balance, with which they are comfortable. She added that decisions would also have to be made for the individual funds.

Ms. Steele said the Budget Team is formulating alternatives for dealing with the cash balance, which they will present to the Council. Ms. Steele said the Team would like some long-term direction from the Council, and although she did not expect an answer tonight, she said she did not want the issue to be forgotten.

Commissioner McConnell asked if it would help if the Budget Team presented their findings to the Finance Committee first and then the Committee could make a recommendation to the Village Council. Mr. Van Vooren agreed. He said the Budget Team hoped that the Finance Committee would provide the closest scrutiny, establish a parameter of where they would like to be and be the proponent for that communication to the Village Council.

Mr. Van Vooren said this issue should be addressed and resolved in January or February 2003, so that the Budget Team will know the Village's position at the beginning of fiscal year 2003/04, as it will have a dramatic impact on Capital Projects, etc. He said that some funds are being used to offset the decline in sales and income tax receipts, such as the Water Fund Balance, and the Motor Fuel Cash Balance. Currently the funds are commingled and the Village has enough money to pay its bills. However, the same thing is occurring on a smaller scale in the Risk Management Fund, Health Insurance Fund, and

the Transportation Fund. Thus, Mr. Van Vooren said staff could not address one without addressing them all.

Mr. Van Vooren said the Village Manager has instructed staff to present a budget to the Village Council, which would not burden the Village's cash position any more at the end of the year than it does at the beginning. He added that it would be beneficial if the budget could move the Village's cash balance in the other direction. In order to achieve that goal, Mr. Van Vooren said the Budget Team would like to know the Village Council's comfort level for the cash balance position and the Fund Balance position. Mr. Van Vooren suggested that the January 7th Finance Committee meeting be devoted to the discussion of parameters for the cash balance and the Fund Balance. Commissioner McConnell agreed.

Ms. Steele added that having a target will help with budget preparation.

Budget Update

Mr. Baker said he sent a copy of the Budget Timeline, with relevant dates highlighted, to the entire Village Council last week. He said he would be sending following up information emphasizing the three dates in March set aside for the Council/Staff Review Sessions. Mr. Baker said staff is proceeding with the "request" phase of the budget process. The Departments have submitted their Request Budgets and the Budget Team is reviewing and organizing that information. Within the next few days, staff should have an overall picture of the total General Fund request. Mr. Baker said staff has projected that it would be approximately \$36.5 or \$37 million, but soon they would have actual figures with which to work. He added that staff is also refining revenue estimates and preparing a document for Council's review.

Mr. Baker said in order to prepare some reduction options for the Council's consideration, the Budget Team plans to identify and inventory all of the activities that each department performs and discuss opportunities for reduction with each director. Mr. Baker said this process would allow the Budget Team to consider the impact and implications of all the reduction options before they are given to the Village Council for their consideration.

Mr. Van Vooren advised that there has been significant discussion at the State level concerning municipalities. Last year the State withheld revenue from photo finishing and reduced some of the income tax numbers. He said the State is now looking at reducing income tax again and it is almost certain that municipalities will be affected. Mr. Van Vooren said the State has discussed income tax reductions from the current 1/10 to 1/12, which would be a \$12 per capita hit to the Village budget. The State is also considering some type of sales tax reform and is looking at other State collected revenue, i.e. Telecommunication Tax (which the State starts collecting in January 2003) and the Motor Fuel Tax allocation process. He said that lobbying through the DuPage Mayors and Managers might be beneficial. However, he said that he believes that the City of

Chicago will be one of the Village's biggest allies because in most cases, whatever the State does for municipalities, it must do for the City of Chicago.

Mr. Van Vooren said staff would continue to proceed with fair and reasonable revenue projections and would not attempt to interpret the unknown. However, he warned that something may occur at the State level in April, May or June affecting the Village Budget shortly after the Council has been adopted it. He recalled last year's Village Budget Amendment was precipitated by activity at the State level.

Discussion – Refinancing 1996 Library Bond Issues

Mr. Van Vooren distributed a memo concerning refinancing the 1996 Library Bonds. He said Village Manager Ginex and he met with Mr. Al Ambrose, Vice President of the Northern Trust, and interest rates are good. Mr. Van Vooren said the 1996 bonds are the oldest bonds that the Village owns and in general the Village is looking at a net flat present value guideline of 3%. If the Village can save 3% on the net present value of the respective bonds by refinancing, the Village would be in a position to act.

Mr. Van Vooren said the 3% savings on the respective bonds is \$170,000 in net present value or approximately \$213,000 in scheduled revenues and it would reduce the debt load annually for the life of the bonds about \$16,500 per year. Mr. Van Vooren said the Village currently levies about \$680,000 for the Library Bonds and if the Village were to refinance the 1996 bonds, their respective levy would be reduced.

Mr. Van Vooren said the Northern Trust also reviewed all the TIF Bonds. He said the TIF bonds have a net present value return, if the Village refunded portions of them, of \$2.7%. Mr. Ginex and Mr. Van Vooren told Mr. Ambrose that the Village would not refinance the TIF bonds at this time, with the understanding that when the Village sells new bonds for the finish of the deck in 2003, the Village may be able to roll in the new bonds and some refinancing of the old bonds, avoiding the issuance costs, i.e. an administrative fee and underwriting fee totaling approximately \$80,000. Mr. Van Vooren said if the new bonds are combined with refinancing of the old bonds, the fees will go up a little, but they would not double. Mr. Van Vooren advised that this is contingent upon long-term interest rates on the TIF bonds staying the same. Mr. Ambrose said if the Village wishes to make a call on the TIF Bonds at this time he would be happy to facilitate it; however, he did not feel it would be in the Village's best interests to do so.

Mr. Van Vooren said if the Committee concurs, staff would like to work through Chapman and Cutler and Mr. Ambrose at the Northern Trust to establish a parameters ordinance for consideration at the Village Council January 14, 2003 Workshop meeting. He said a parameters ordinance would establish the minimum limits necessary to act on a bond sale. If the parameters ordinance states that the Village must net a 3% return and the interest rates change and the Village cannot make a 3% return, the bond sale would not go through. Mr. Van Vooren said a parameters ordinance would also establish who could make decisions concerning bond sales for the Village, i.e. the Mayor, the Village Manager, etc.

Commissioner Zabloudil asked what would happen if the Village wished to sell bonds at less than the minimum return stated in the parameters ordinance. Mr. Van Vooren said the ordinance could have a sunset clause, after which time the Village would have to reissue another ordinance based on new timeframes. Commissioner McConnell asked if the parameters ordinance could be modified at any time. Mr. Van Vooren replied yes.

Commissioner Zabloudil asked why the Village needs a parameters ordinance. Mr. Van Vooren said it is the easiest way to provide flexibility. Mr. Van Vooren explained that the parameters ordinance sets the minimum net return limit necessary to act on a bond sale. If the Village is able to get more than the minimum limit, the sale can still proceed. However, without a parameters ordinance, staff would have to present a specific ordinance to the Village Council stating that unless the Village receives a certain net return, the bond sale cannot proceed.

Regarding refinancing the 1996 bonds, Commissioner Zabloudil asked over what period of time would the Village save the \$213,000, which Mr. Van Vooren had mentioned. Mr. Van Vooren said it would be over the life of the existing bonds and the bonds mature in 2017. Mr. Van Vooren said it would be \$15,000 to \$16,000 annually for the next 15 years.

Ms. Steele added that the ordinance sets the parameters within which the staff can act. Without the parameters ordinance, staff would have to wait until a specific ordinance was presented to and approved by the Village Council before acting on a bond sale, during which time the market would be changing. Mr. Van Vooren said the parameters ordinance would also stipulate how the net value would be evaluated.

Commissioner McConnell said she thinks the parameters ordinance is a good idea and asked staff to proceed with it. Commissioner Zabloudil agreed.

Stormwater Revenue Update

Updating the Committee, Mr. Jack Bajor, Director of Public Works, said that within the past year the Stormwater Division was moved from the Code Services Department to the Public Works Department. The Village is off probation and the Stormwater Committee has unanimously established Downers Grove as a full-waiver community. Mr. Bajor said the Village is still maintaining quarterly meetings with the Stormwater Committee. They met today with Kay Whitlock, the consultant who helped with the SMA issues and Planning Resources, the consultants who helped with the wetland issues. Mr. Bajor said Planning Resources has finished all but 13 of the 60 wetland issues.

The Stormwater Division of Public Works has been working through the Public Services Committee and looking at the cost of maintaining our internal stormwater review service. Mr. Bajor said it is important to the Village to maintain full-waiver status so that staff can better serve the community and foster development and growth by having an internal

mechanism in place. Mr. Bajor said the Village is fortunate to have the core staff to carryout internal review services and maintain the full confidence of the County.

Mr. Bajor said staff is currently completing a review of communities similar to Downers Grove relative to review fees and other revenue streams. He added that the Stormwater Division wants to be self-supporting and it has an opportunity to do so. Mr. Bajor discussed the following fees:

1. Stormwater Review Inspection Fee. The Village currently charges \$250 per single parcel residential stormwater/grading/inspection fee. However, it costs the Village approximately \$465 per review. Mr. Bajor said staff would like to increase this fee from \$250 to \$450 per review. He anticipated that this increase would result in a \$14,000 estimated annual revenue change. He added that low interest rates have precipitated increased development within the Village.

Commissioner Zabloudil asked why Mr. Bajor was suggesting a fee of \$450 per review if the Village's actual cost for the review is the \$465. Mr. Bajor said \$450 was more in keeping with the fees charged by other communities for similar services. Mr. Bajor said DuPage County charges \$365 plus 10% for the first review, and 20% for the second review. Glenn Ellyn charges \$350, Hinsdale charges \$440, and Lombard charges \$150.

Mr. Van Vooren asked if the current estimated actual cost (\$465) includes the cost of hiring outside consultants to do some of the work. Mr. Bajor replied no. He said it includes only in-house costs. Mr. Van Vooren and Commissioner Zabloudil questioned setting a new fee that would not cover the Village's costs. Commissioner Zabloudil said he thought the fee should be increased to \$465 to cover the Village's costs for the review.

Commissioner McConnell suggested that only full-waiver communities be included in the fee comparison. Mr. Bajor said in doing the comparison, staff also considered the residential component and the population of the other communities in the survey.

Commissioner Zabloudil said redevelopment is only going to continue and he advised that staff consider setting the fee to cover the actual cost of the inspection services. He said the fee could always be decreased if necessary. Mr. Bajor said staff would like to examine more data before setting the inspection fee.

2. Sump Pump Connection Fee. Mr. Bajor said that currently the fee for sump pump connection is \$15. Commissioner Zabloudil clarified that the fee is for Village personnel to hook a resident's sump pump up to the Village's stormwater system and that the homeowner is responsible for any excavation in connection with the hookup. Mr. Bajor agreed. Mr. Bajor said staff recommends that the Village sump pump connection fee be increased to \$200 based on the time involved to perform the hookup and ensure that it is operating correctly.

Commissioner Zabloudil said he thought there should be a minimum charge based on the time and personnel involved in making the hookup and completing any related paperwork. Mr. Bajor agreed.

Commissioner McConnell asked how other communities handle the issue of sump pump connection. Mr. Bajor said that staff would check with other communities.

Commissioner Zabloudil said he did not know if any other communities offered a similar service. Commissioner McConnell asked if the Village should continue to offer the service if other communities do not. Commissioner Zabloudil said he feels it is worthwhile for the Village to offer the service because it is related to other stormwater issues that the Public Services committee will be discussing.

3. The Runoff Storage Fee. Mr. Bajor said this fee is calculated by looking at the impervious runoff that is generated from any new construction. Mr. Bajor said staff recommends raising the current fee of \$0.134 per square foot of constructed impervious area to \$0.568 per square foot. Mr. Bajor said the current rate is based on a cost to provide stormwater detention of \$25,000 per Acre-Foot while the County has stated the cost to be \$106,000 per Acre-Foot for the East Branch of the DuPage River. If the Village increases the Runoff Storage fee to \$0.568 it would yield an estimated annual revenue change of \$147,000.

Commissioner Zabloudil noted that the County would be at \$106,000 and the Village would be at \$147,000. Commissioner McConnell clarified that the Village is increasing the current fee by almost four times, which would put the Village at approximately \$100,000 per Acre-Foot, which is comparable to what the County charges. Commissioner Zabloudil said the Village fees should be approximately the same as those that the County charges.

4. Stormwater Utility Fee program. Mr. Bajor said staff is investigating the opportunity to implement a Stormwater Utility Fee Program to fund multi-faceted stormwater management activities, the Capital Improvement Program, and unfunded mandated programs. Mr. Bajor said based on the quality of the NPDES PH II Program, average costs of \$10.00 per person per year are anticipated.

Mr. Bajor said very few communities have a similar program in place, but staff wants to put something together so that we can institute the stormwater utility program. Commissioner Zabloudil said based on population this program should generate approximately \$450,000. Mr. Bajor agreed.

Village Manager Ginex asked if the fee would be graduated or if it would be one \$10 fee per person. Mr. Bajor said according to the seminars and review literature he has seen, the fees range from \$7 to \$30 per person. Mr. Bajor said he felt a \$7 to \$10 fee would provide the Village with a comprehensive program.

Mr. Van Vooren asked how corporate, industrial, or retail operations would be assessed. Commissioner Zabloudil said it could be based on the daytime population. Ms. Steele

asked how the Village would get a census of the daytime population in each building. Mr. Van Vooren said Mr. Tully also asked how non-residential facilities would be assessed.

Commissioner Zabloudil noted that only residences are being discussed, not corporate and business establishments. Mr. Van Vooren noted that the Village has to treat stormwater from non-residential facilities through the NPDES. Mr. Van Vooren said that \$10 is fairly reasonable.

Commissioner Zabloudil asked the number of households in the Village. Mr. Van Vooren replied there are 17,000 water-billing accounts. He added that there are master meters on most apartment complexes that only have a meter or a series of meters.

Mr. Bajor said EPA and Title 35 Appendix A, provide tables, which are frequently used by engineers. Scenarios included in those tables show 3.5 persons per residential home, with each person contributing approximately 100 gallons per capita per day, equaling 350 gallons per household. Commissioner Zabloudil asked if similar ratios are provided for office complexes. Mr. Bajor replied yes.

Commissioner McConnell said staff should look at single-family residential, multi-family residential and business, industrial and commercial and develop appropriate fee structures.

Mr. Van Vooren said it may be more difficult calculate on a utility-basis because he would have to classify every utility bill as single-family, multi-family or commercial, industrial.

Commissioner McConnell said this needs to be tied together with what Mr. Tully is putting together to develop a complete plan, including fee structure, administration and associated expenses, as well as potential revenue. She pointed out that there would also be costs involved for the Village to implement this program.

Mr. Van Vooren said that if items 1, 2, and 3 listed in Mr. Bajor's memo are not meeting expenses, Mr. Bajor should proceed through his committee to request the Legal Department to draft the necessary ordinances to implement the suggested changes as soon as possible. Commissioners McConnell and Zabloudil agreed.

Mr. Van Vooren said the stormwater utility fee program needs to be co-mingled with stormwater and worked through. Commissioner Zabloudil said staff needs to know how the calculations are done and the sources of the information.

Ms. Steele thanked Mr. Bajor for his presentation.

Abatement of Tax Levies for Debt Service

Mr. Van Vooren said there are six tax levy abatement ordinances on tonight's Village Council meeting agenda: the abatement for Fairview Avenue, and the abatements for the 1999 TIF, 2000 TIF, 2001 TIF, 2001A Water Bonds, and 2002 TIF. Mr. Van Vooren said Pat Kurtner, of Chapman and Cutler, bond counsel for the abatement ordinances, explained that the Village does not have to abate tonight, as the abatement processes do not have to be finalized through the County until February. Mr. Van Vooren said abatements could be made between the date that ordinances are adopted and the end of close for filings with the County. Mr. Van Vooren said generally the abatement ordinances go into place during the latter part of February.

Mr. Van Vooren said all of the bond ordinances are GO bond issues; none are double-barreled revenue bonds. He pointed out that the TIF bonds state that all TIF related incremental revenue must be used for abatement and any excess can be used for other sources. Mr. Van Vooren said that if the TIF revenue is not enough, the balance could be levied through a tax or it could be supplemented through other revenue sources, if the Village so chooses, as has been done in the past on all of the GO bonds with the exception of the Water bond. The Water bond has always had enough revenue to meet its abatement requirements. He added that the Fairview Avenue Debt Service does not generate enough revenue with the \$.01 gas tax to meet its debt, although it comes close.

Mr. Van Vooren said this year the Village received \$235,000 in TIF money. However, the Village has approximately, \$1.4 million of debt service needed on the four abatements tonight. Next year when the Village sells the final phase of the deck, Mr. Van Vooren said the TIF debt would increase to approximately \$2 million. He added that the Village also subsidizes the TIF monies with parking revenue. The Parking Fund made a \$75,000 contribution to the TIF and next year the contribution will be \$100,000 to help subsidize the parking deck. He explained that annually, the Village would be able to decide the amount the Parking Fund will contribute toward the deck.

Regarding the abatement ordinances on tonight's agenda, Mr. Van Vooren explained that the Village Council could a) adopt them, b) table them and reconsider them at a later date through February without affecting anyone's taxes, or c) modify them with a reduced amount as long as the Village fully commits all of the revenue from the TIF or the gas tax to their respective abatements.

Ms. Steele asked if the Village Council could only modify the abatements if the TIF and gas tax revenues are dedicated to their respective abatements. Mr. Van Vooren said the Village must use the gas tax revenue first and if that is less than the full amount of the abatement, the Village can abate a portion of the levy. He said the same is true with the TIF. The Village must fully obligate all the revenue from the increment. The gap can be funded through general sources. In the past it has been funded through the Capital Fund.

Commissioner Zabloudil asked how the tax levy abatement ordinance would be presented tonight. Ms. Steele said the Village Council needs to do the levy, however, staff is

proposing that the Village Council postpone the abatement for further consideration since they have until February. Village Manager Ginex said the levy would be adopted; however, he added that Mayor Krajewski would move to table the abatement ordinances for future consideration.

Mr. Van Vooren said the Water funds could be abated now; however, for clarity he suggested tabling all abatement ordinances and bringing them all back at the same date in the future. Commissioner McConnell agreed. She suggested that the Finance Committee plan to review the Village's position with respect to the budget, revenues and expenses in January.

Village Manager Ginex added that the Heritage Festival budget would also be tabled tonight.

BFI Contract Extension Update

Mr. Baker said he has not spoken to the BFI representatives as yet, although he expects to be in contact with them before the end of the week, after which he would report back to the Committee.

Mr. Van Vooren said BFI provided some revised totals for sales of yard waste stickers; however, BFI is reluctant to include leaf pickup. Mr. Van Vooren said staff would negotiate to get the second amnesty day rolled into the price.

Mr. Baker said staff would bring the BFI contract extension before the Village Council on January 14, 2003.

Commissioner Zabloudil adjourned the meeting at approximately 6:28 p.m.