

**MINUTES OF LONG RANGE FINANCIAL PLANNING  
VILLAGE COUNCIL MEETING  
VILLAGE OF DOWNERS GROVE**

**May 24, 2011**

**THE GENERAL FUND, TRANSPORTATION FUND AND DOWNTOWN TAX INCREMENT FUND**

Mayor Martin Tully called the meeting to order at 6:30 p.m. in the Committee Room.

Council Members Present: Mayor Martin Tully; Commissioners Marilyn Schnell, William Waldack, Sean P. Durkin, Geoff Neustadt, Bob Barnett and Becky Rheintgen

Staff Present: Dave Fieldman, Village Manager; Judy Buttny, Finance Director; Mike Baker, Deputy Village Manager; Nan Newlon, Public Works Director; Tom Dabareiner, Community Development Director; Steve Sanderson, Budget Officer; James Jackson, Fire Chief; Doug Kozlowski, Communication Director, Enza Petrarca, Village Attorney; Bob Porter, Police Chief; Jim Black, Deputy Police Chief; Kurt Bluder, Deputy Police Chief; Allison Alonzo, Management Analyst; April Holden, Village Clerk

**Village Manager Dave Fieldman** outlined the agenda for the session. He provided an overview of the goals and purpose of long range financial planning:

- Allow for dialogue among community, Council and staff
- Create awareness of issues
- Create a three to five-year plan
- Assist in budget preparation and operational decisions

Mr. Fieldman said the Long Range Financial Planning website has been launched and can be accessed through the Village's website: [www.downers.us](http://www.downers.us).

The Manager then reviewed the calendar:

May 24	Issue identification and solutions related to the General fund, Transportation fund and Downtown Tax Increment fund
June 28	Issue identification and solutions related to the Water fund and infrastructure & facilities, 2012 Bond issuance
July 26	Infrastructure & facilities, 2012 Bond issuance discussion continued
August 23	Present draft plan for discussion

**General Fund**

Mr. Fieldman provided some recent history of the General Fund. He explained the structural gap in the General Fund and said most existing revenues are flat or declining, personnel expenses are increasing, and there is a projected deficit in future years. These factors suggested a need to make changes to our business model.

Mr. Fieldman depicted the structural gap by way of a chart showing expenses and revenues from FY2009 through FY2012 both in terms of revenues and expenses as they were in 2009, and in terms of the implementation of the 2009 General Fund plan. He said there has been \$5 million of expense reductions in the General Fund in terms of operating efficiencies; the elimination or reduction of services/programs/events; the elimination of 45.6 full-time equivalent (FTE) positions; changes in the health benefit plan; and changes in the health plan provider network.

Long range financial plans implemented in 2010-11 resulted in revenue enhancements through an increased property tax levy and increased Home Rule sales tax rate. The property tax levy was increased by \$1 million to be used for operational expenses. The Home Rule sales tax rate was increased by ¼ cent, effective July 1, 2010 resulting in \$1 million in 2010 and \$2 million in 2011. The implementation of the long range financial plan resulted in closing the structural gap. Mr. Fieldman showed a graph of the FY2010 and FY2011 budgets reflecting the implementation of the long range financial plan. He said the plan is working, the structural gap has been addressed primarily by expense reductions, there has been no use of reserves in 2010, and the 2011 budget is balanced.

Mr. Fieldman then provided a financial analysis of expenses and revenues for 20 years, from 1991-92 to the 2011 budget. Revenues in 2011 are equal to revenues in 2005. There are four major revenue sources: Sales, property, state income and utility taxes. The analysis shows that utility taxes are declining, income taxes are flat and declining, sales taxes have been flat over 20 years and declining in the last few years, and property taxes have been increasing in the last several years to counteract other falling taxes.

In terms of expenses, total expenses are down since 2008. Expenses in 2011 are equal to expenses in 2005. The 2011 personnel expenses are less than the 2008 expenses. Non-personnel expenses have been flat over the 20 year period.

Mr. Fieldman then provided a comparison of staffing levels from 1996/97 to 2011. Total FTE staff in 1996/97 was 364; in 2011 it is 329. General Fund personnel expenses in 1996/97 were \$14,690,574 representing 65% of total expenses; in 2011 it is \$31,078,336 or 78% of the total expenses in the 2011 budget. With respect to pension expenses, Mr. Fieldman said there are several pension programs, all of which are controlled by the State. All full-time employees participate in a pension program. Since 2008, pension expenses have increased 60%. Mr. Fieldman showed a graph depicting health benefit expenses. These expenses have decreased in the last two years. Salary expenses declined in 2008-2010 due to reductions in staff; however, due to market forces, salary expenses will continue to go up.

Mr. Fieldman said the expenses in the General Fund are 78% personnel and 22% non-personnel expenses. Expenses are increasing at 3 to 4% per year, due to personnel expense increases.

General Fund revenues are made up of the following: 31% property tax, 15% utility tax; 5% Home Rule sales tax, 29% sales tax, 10% state income tax, and 10% other. Revenues are increasing at 1 to 2% per year with utility and state income taxes flat and sales taxes showing slow growth.

In conclusion, Mr. Fieldman said expenses are increasing faster than revenues due to health care costs, pension costs, other post employment benefits, and salaries. He addressed efforts to achieve sustainability through operating efficiencies, partnerships, personnel expense reductions, user fee adjustments and enhancing the revenue base.

Actions for 2012 and beyond include increasing the operating efficiencies through continuous improvement, a culture of lean and use of technology; reducing personnel expenses by monitoring and adjusting the health benefit plan as needed, post employment benefit plan design changes, employee wellness program, and risk reduction program. Additional actions include partnering with others to capture economies of scale, enhance revenues, and reduce overall costs; adjusting user fees regularly such that fees are increased equal to personnel expense increases; create a stormwater utility; enhance the revenue base through economic development and annexation initiative; adjust the property tax levy as needed; and consider other revenue enhancements as needed.

Commissioner Schnell asked if the reserves are in line with the reserve policy. Mr. Fieldman said the reserves are exactly where they should be. The policy is to have in reserve cash equal to two to four months worth of annual expenses; 25% for disasters and 15% as a rainy day fund.

Mayor Tully asked how the reserve target was determined.

Commissioner Neustadt expressed the need to look to the future and new action items.

Commissioner Schnell stated she feels it is necessary to work with other government entities to control costs and to look for opportunities to do so within the next year. This is the only way to hold the line on taxes. She said that, although she has not agreed with all aspects of the plan, the plan has worked. She further stated the importance of not losing our identity or relationship with our residents.

Mayor Tully agreed that it is important to actively identify and create opportunities to partner with others. He recommended taking a leadership role and bringing others to the table.

Commissioner Barnett said staff is proactive and aggressive. He is comfortable with the plan and agrees with Commissioner Neustadt to move forward.

In response to Mayor Tully, Mr. Fieldman said the stormwater utility is scheduled for the June 7 Council agenda and implementation is contemplated in 2012.

Commissioner Waldack said he would like to see the fiscal impact in terms of a cost/benefit analysis and feedback as well as the ability to address value. He discussed the need to gauge services that people and businesses want.

Commissioner Durkin said he thinks the plan is working and would like to move forward. He noted that many communities are looking to Downers Grove. He would like to discuss the 2012 bonds and the TIF challenge. He asked as to staff projections of interest rates in 2012/2014.

Commissioner Rheintgen asked about direct and indirect costs as they relate to user fees. Mr. Fieldman said both components are included in our fees.

Chris Fregeau asked about the quarterly report for the second quarter. Mr. Fieldman said an update will be provided in the near future.

### **Transportation Fund**

Mr. Fieldman said the Transportation Fund is made up of the Grove Commuter Shuttle Service operating since 1974 at an annual cost of \$270,000. He said 42% of the revenues are from fares, 48% from the gasoline tax, and 10% from a Pace grant. In 2007 a one-cent per gallon gasoline tax was implemented. In 2008 and 2009 new fuel-efficient buses were purchased with a Pace grant. In 2010 staffing was reduced from 4.2 FTE to 3.2 FTE. In 2011 the Village entered into an interim agreement with Pace for increased funding and is currently negotiating an agreement with Pace for funding in 2012. The Transportation Fund has been breaking even in 2010 and 2011; however, it is not sustainable.

Commissioner Durkin noted that the buses are still under warranty.

Mr. Fieldman said the fund has an accumulated deficit of \$1.9 million and the annual operating expense is increasing faster than Village revenue sources.

Mr. Fieldman then addressed actions for 2012 and beyond to include fully covering the annual operating costs by partnering with Pace to execute a revised agreement such that all annual operating expenses would be covered by Pace and the farebox. Additionally it is important to address the accumulated deficit to improve and maintain our bond rating, and to maintain the General Fund balance. Actions to accomplish this include using local gasoline tax revenues to retire the deficit over time. These revenues include \$130,000 per year for bus operations and \$195,000

per year for Fairview Avenue debt service. The goal is to retire the deficit by 2020.

The Mayor noted that this is a deficit, not a debt.

Commissioner Neustadt said the annual audit did not include a management letter regarding the buses.

Commissioner Schnell asked if the partnership with Pace would include replacement of the buses over time. Mr. Fieldman said that will be discussed as part of the agreement.

Commissioner Neustadt asked if the FTE's would change. Mr. Fieldman said he would research this. He noted that transportation is Pace's mission and they are willing to pay for our shuttle service because we can provide service at a lower cost than they can.

Commissioner Schnell asked about insurance to cover the buses. Mr. Fieldman said he would get information as to covered expenses.

Commissioner Barnett asked about long range plans if the agreement with Pace isn't executed. He said he feels that the partnership with Pace is the only way the commuter shuttle system will go forward long term. Mr. Fieldman said staff will know by the October budget discussions.

Commissioner Waldack said he is glad this is moving forward. He noted that the Transportation Fund also, at one time, included the taxi subsidy program.

Commissioner Schnell asked as to a sunset clause in the Fairview Avenue gas tax ordinance.

Commissioner Barnett discussed using the gas tax revenue, \$325,000 for new debt service. Mr. Fieldman said staff will review options.

The Mayor noted that the motor fuel tax is attributed on a penny basis, not a percent basis.

Commissioner Durkin asked about how changes in this fund would affect the auditor's management letter and the bond rating. He noted that the Village has new auditors this year. The Manager said there were no management letter comments this year.

Chris Fregeau said there is money to be made in advertising and suggested negotiating advertising revenues.

Commissioner Durkin discussed interest income issues.

### **Downtown TIF Fund**

Mike Baker, Deputy Village Manager, led this discussion. He provided history on the TIF, noting that it was created in 1997 and has a 23 year life. TIF is an economic tool used to facilitate qualifying improvements. The initial strategy was the use of debt to fund public improvements and land acquisition. The total debt service gradually increased over time to be paid with TIF increment funds and other revenues.

In terms of issues, Mr. Baker said recent declines in real estate values have affected TIF financial projections. Updated projections indicate that TIF and other revenues may not be sufficient to meet total expenses beginning in FY2015. He provided a graph depicting the revenue and expense projections from 2011 through 2021. He noted that it was never assumed that the TIF increment would be sufficient to pay the total debt service. Strategies to address the gap include the TIF increment, the parking fund, the fund balance and the property tax levy to fill the remaining gap.

Solutions and strategies include monitoring TIF performance and regularly updating projections as well as pursuing actions that defer and minimize any use of the general property tax levy to fund the gap.

Actions for 2012 and beyond are to control TIF expenses, to explore parking fee adjustments to provide additional revenue in future years, to continue pursuing \$500,000 state grant, to pursue redevelopment and reinvestment opportunities in TIF, to identify other options to fund the gap, and to adjust the property tax levy as needed.

Commissioner Schnell asked staff to research other grant funds.

The Mayor noted that the \$500,000 state grant funds were all but promised.

Commissioner Durkin said he hopes the parking study looks at the benefits of leasing and/or selling the parking deck. He also discussed surface parking along the tracks and the lot behind the library in terms of using this property for development purposes.

The Mayor suggested letting the development community know that the Council would be open to considering proposals.

Commissioner Neustadt agreed that there are some redevelopment opportunities. He urged continued funding for Downtown Management and downtown activities.

Commissioner Schnell said she is concerned that plans would not get underway soon enough to make a difference. She would like to understand how the Village can change the philosophy of Metra regarding parking fees.

Mr. Fieldman responded that Metra asked for a comprehensive downtown parking study as a first step and it has been started.

Commissioner Schnell said it is important that assessments be as accurate as possible. Mr. Fieldman said the Downers Grove Township Assessor assesses properties for the equalized assessed value. The Village provides information regarding improvements to property.

Commissioner Schnell referenced using monies from the General Fund to pay off the TIF debt service due to lack of funds in the TIF fund. She asked if the General Fund has been reimbursed. The Manager said that has been written off.

Commissioner Waldack noted that Pace and Metra do not seem to work together; he suggested another partner would be the RTA. He asked if there is a way to determine sales tax generated by downtown businesses and if there could be a sales tax incentive program to improve downtown.

Commissioner Rheintgen asked if there is a list of redevelopment and reinvestment opportunities. Mr. Fieldman said there is a list developed in late 1990 which was updated in 2005. The change in the real estate market resulted in more long-term efforts. The Comprehensive Plan, which will be discussed by Council shortly, includes a chapter on downtown, including potential redevelopment opportunities.

The Mayor asked about opportunities to refinance some of the debt.

Judy Buttny, Finance Director, said there is nothing currently available, but staff reviews this all the time. The Manager said there is only one refinancing opportunity per bond issue.

The Mayor asked if there is the ability to consider amending the scope or duration of the TIF.

Tom LeCren noted that assessed values have gone down while taxes have gone up. Mr. Fieldman said he would provide information regarding projections.

Willis Johnson discussed the establishment of the SSA. He said the Downtown Management Corporation has not had an increase in their funding since 1999. There is an operating agreement but Downtown Management is being asked to shoulder more expenses. They provide a great service and have increased the value of the downtown. He said they need a raise.

The Mayor asked for information regarding expenses and revenues for the Downtown Management Corporation.

Commissioner Neustadt said there has been a consistent level of revenue, but increasing expenses. There is a growing gap that needs to be addressed.

Commissioner Durkin said he served on the downtown board. This matter needs to be addressed. The Village provides 100% of their funding.

Commissioner Schnell asked if there might be a different model that might be more efficient in the delivery of services.

Commissioner Waldack said he agrees that funding cannot continue at 1990 levels. He said he feels the events fee schedule model is a terrible idea. Not-for-profit groups that benefit the entire community will come before the Council to argue that they are different and should not be charged these fees as they use funds to benefit the community. If Downtown Management is part of the Village, this is simply a bookkeeping matter. They provide a service to our community and we need to fund it appropriately. They are an investment and you cannot expect good results on minimal investment.

The Mayor noted that Downtown Management is different in that they are obliged to do what the Village asks them to do. That is not the case with other non-profits. There is a gap that needs to be addressed.

Commissioner Barnett asked as to the TIF repayment schedule, the possibility of a new General Obligation bond and the SSA. Mr. Fieldman said he would like to have an opportunity to provide a more detailed explanation.

Commissioner Rheintgen agreed that the Downtown Management Corporation is different than other non-profits and should be re-evaluated.

Commissioner Neustadt suggested amending the agreement with the Downtown Management Corporation.

Tom LeCren asked if Washington Street would be redone with this TIF. The Manager said it will be redone, but with funds other than TIF.

Commissioner Neustadt asked about the property on Forest north of Warren. The Manager said that area is in the SSA.

Mr. Fieldman said the downtown redevelopment has been an incredible success since the late 1990s.

Commissioner Schnell said after the TIF was put into place there were assumptions that development would happen immediately. The lag in development was because decisions were made to seek public input and to limit the use of eminent domain authority.

Mr. Fieldman said this gap is not as big as was initially projected due to the success of the downtown.

Commissioner Durkin asked if it is possible to determine the sales tax revenue of events in the downtown area, such as the car show. He said he is not looking for exact figures.

The Mayor said he believes so, but it is not a precise method. It would be an estimate.

Commissioner Waldack noted that sales tax generated from the 2009 Heritage Festival was estimated at \$40,000.

Linda Kunze, Downtown Manager, said a study has begun to determine this information and she hopes to have information available shortly.

The Manager distributed Long Range Financial Planning booklets to the Council. He said the next meeting will focus on water, and infrastructure and facilities and the 2012 bond issuance.

The meeting was adjourned at 8:25 p.m.

April K. Holden  
Village Clerk