

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

August 23, 2011

Mayor Martin Tully called the meeting to order at 6:33 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; Mike Baker, Deputy Village Manager; Enza Petrarca, Village Attorney; Judy Buttny, Finance Director; Nan Newlon, Public Works Director; Steve Sanderson, Budget Officer; Allison Deitch, Management Analyst; Doug Kozlowski; Mary Van Milligan, intern; April Holden, Village Clerk

Village Manager Dave Fieldman presented an overview of this fourth meeting in the Long Range Financial Planning Process (LRFP), noting that the process has been in place for several months with the objective of allowing for dialogue, creating awareness, creating a 3-5 year plan, and creating a budget for the Village of Downers Grove. At this meeting they will review the draft plan for the Council's comments and approval. All of the information discussed tonight has been previously presented. The five areas of interest are 1) General Fund; 2) Transportation Fund; 3) Downtown TIF District; 4) Water Fund; and 5) Infrastructure, Facilities, and 2012 bond issuances.

General Fund

Mr. Fieldman said the General Fund issue is expenses are increasing based primarily by personnel costs. He reviewed the pie charts shown at previous meetings. Expenses increase at the rate of about 3%-4% per year driven primarily by personnel expenses including salaries, benefits, etc. Revenue is expected to increase at a lesser rate of 1%-2% per year based on sales tax increases and growth recovery.

Mr. Fieldman then referred to the recommended actions for 2012 and beyond for the General Fund. Among these are 1) continue to increase operating efficiencies and promote a "culture of lean;" 2) reduce personnel expenses by monitoring and adjusting the benefit plans both for existing employees and retired employees; 3) continue to partner with other communities and

agencies, such as the joint dispatch with the Village of Westmont; 4) adjust user fees regularly, and increase them in an amount equal to the personnel expense increases; 5) continue to explore enhancement of the Village revenue base; 6) adjust property tax levy only as needed in the General Fund; 7) consider other revenue enhancements on an as-needed basis.

He said he intended to go through all of the funds first, and then turn the discussion to the Council.

Transportation Fund

Mr. Fieldman said this fund supports the Grove Commuter Shuttle operation. With the Transportation Fund, the Village has almost a \$2 million deficit accumulated over a multi-year period. In addition, going forward it is believed the annual operating expenses will exceed the Village's revenue sources. There are several issues including warranty expirations, expectations of Pace taking over the program, etc., to be considered. He displayed a chart showing the sources of revenue for riding the bus. He said they expect expenses to rise faster than revenues. Staff's recommended action is 1) to execute the revised Pace agreement in 2012, which will mean that all annual operating expenses would be covered by Pace grant funding and the fare box. That will address the operating issue; however, the accumulated deficit issue requires a different strategy. The recommendation there is to use the local gasoline tax revenue to retire the accumulated deficit over time. There are two sources of local gasoline tax: 1) \$130,000 per year for bus operation; 2) revenue currently dedicated to pay off the debt to the improvements to Fairview Avenue, which amounts to \$200,000 per year. The strategy would be to pledge these revenue streams as they become available to retire the accumulated deficit by 2020. He noted the chart displayed on the overhead.

Mr. Fieldman also noted some alternative actions that could include transferring money from the General Fund as the fund balance permits. They have also discussed the concept of dedicating interest income toward the accumulated deficit in the Transportation Fund over time.

Downtown TIF

The issue in the downtown TIF District is that recent declines in the value of real estate have affected future TIF financial projections. He referred to a graph depicting the projected TIF expenses in 2021, and revenues that include the general tax levy. Recommended actions include controlling TIF expenses. In addition explore changes in the parking fees to provide additional revenue, based on the parking study presently being conducted; continue pursuing the \$500,000 State grant; pursue redevelopment and reinvestment opportunities within the downtown area; identify other options that would fulfill the identified potential gap; and, only as needed, adjust the property tax levy.

Water Fund

Mr. Fieldman said that in 2010 the comprehensive water rate study recommended increasing the rates over the next several years. The then-current rate structure did not cover the unexpected needs and maintenance. The recommended action is to increase the water rates in 2012, 2013 and 2014, including issuance of a \$10 million bond in 2012 to allow for needed infrastructure improvements.

Infrastructure and Facilities

Mr. Fieldman referred to an overview that was presented by staff regarding the three types of general expenses incurred in the infrastructure area, including debt service payment for bonds already issued; maintaining existing systems; and expanding infrastructure systems through major reconstruction.

Mr. Fieldman then summarized that the needs and infrastructure outpace the existing revenue. The Council recently went through a prioritization discussion to identify priority levels. The first priority is to continue making existing debt service payments, and making sure that all systems are maintained. Secondly, identify roads in need of reconstruction and continue with the high priority stormwater projects identified in 2008. Thirdly, consider the expansion of infrastructure systems.

Mr. Fieldman noted that infrastructure funding ranges from “do nothing” to “do all possible.” He said four options were considered, and the recommendation was to look in the range of issuance of \$25 million in bonds next year, which would need to be supported by a \$3 million increase of annual revenues. With that action, Priority A would be addressed, Priority B would have some issues addressed, and there would be no change in Priority C. Based on that need, action would be 1) issue a \$25 million bond in 2012 and use the proceeds for street reconstruction, allowing use of the proceeds from the 2008 bond to continue stormwater projects. This is coupled with the need to 2) generate an additional \$3 million in revenue dedicated toward those priorities. There are several sources under consideration such as a stormwater utility, vehicle stickers, etc. The concept of phasing in the revenues has also been discussed.

Mr. Fieldman then referred to the recommended schedule, which would proceed with the bond issuance in early 2012. Those dedicated revenues have been in place since 2008. However, an additional \$3 million per year would be implemented with the new revenue sources with the FY13 budget. This would allow for thorough discussions and exploration of alternative revenue sources, and allows the Council to complete its discussions regarding the stormwater utility.

As to the next steps, Mr. Fieldman distributed a handout to the Council summarizing the recommendations. There are no assumptions as to what the stormwater utility will generate. He indicated that there is a First Reading on the Long Range Financial Plan scheduled for

September 6. Consideration for adoption would be September 13. He said the timeline is important as staff relies on the LRFP to prepare annual budgets, which are published at the end of September.

Mayor Tully asked what needs to be decided on September 13, and Mr. Fieldman said that staff would like the Council to weigh in on the specific strategies from which specific action steps are built each year.

Commissioner Barnett said he takes exception to that. He noted that the Manager said they could take the 2008 revenue stream and that they need an additional \$3 million to complete the A priority items. Mr. Fieldman said they need to make a \$3 million commitment, and as of now, that source is unknown.

Commissioner Barnett continued that the A priority is to maintain what we have now, with no clue as to how that will be done as of 2013. He sees no way he would be ready to vote on this in September or October, because he sees this as putting the cart before the horse. Mr. Fieldman responded that if that is the case and the Council agrees, they would be directing the Staff to choose Priority A. Commissioner Barnett noted that the Council has 6 to 8 weeks to figure out the budget. Mr. Fieldman said that it generally takes between October 1 and December 1 to put the budget into place on time.

Commissioner Durkin asked whether staff has decided, based on the last meeting that they are keeping with the \$25 million in bonds. The Manager replied that the Council makes that decision. He is reiterating what staff was told to do by Council.

Commissioner Schnell commented that there is a \$3 million shortage in terms of maintaining the systems; however, if they wait until 2013, they are going to place everything one year behind. Mr. Fieldman responded that was not necessarily true, as staff has been aiming for 2013. They did not expect dollars in 2012. The Village has been lacking \$3 million in revenue sources for many years, and staff is planning that this would be the same for one more year. There would still be some maintenance performed in 2012. He said it is important that there is a commitment to a \$3 million revenue increase by the Council. That \$3 million is not needed until 2013, but the commitment must be made for staff to proceed with the budget process. He said if the Village says “yes” to a stormwater utility immediately, it would take several months to get those revenues in place. Staff has never anticipated getting any revenue sources in place for 2012.

Commissioner Barnett commented that for 3 ½ years between cuts, enforced and through attrition, the total was \$4.5 million, which caused a great deal of angst. He believes that they are months from making such a decision.

Mayor Tully asked about the projections on the EAV and property taxes, and whether this is a projection over time or factors in decline. The Manager responded that they would levy an

amount, and the risk of nonpayment lies with the County. He said that their portion could shift dramatically; however, for purposes of the Long Range Financial Plan, they have not put up any rates. They expect the EAV to go down by 5% this year and again next year. The dollars stay constant, and the rate gets higher.

Commissioner Durkin noted that he is tired of moving sidewalks around, and wants to get the sidewalks done. Mayor Tully asked for clarification that the Village would continue with the sidewalk matrix. Mr. Fieldman said that was correct. None of the options include a cut in the current plan.

Commissioner Schnell questioned if they stay with Option 2, whether that would include new sidewalks with the roadway projects. Mr. Fieldman said he could not answer that question now. Commissioner Schnell then asked if the commitment is to try to bundle the projects, and Mr. Fieldman responded that was correct. Commissioner Schnell inquired whether that would create gaps that could be filled. The Manager said he would not recommend that because they need to ramp up how much is put into maintenance every year. Commissioner Schnell then said she is not in favor of bonds for sidewalks, but she would be in favor of bundling projects to get through the matrix faster,

Mayor Tully said he sees this as the completion of a long-term project and policy.

Commissioner Neustadt referred to the revenue discussion, saying it needs to be resolved tonight in some way. They need to see what the revenue options are. He does not support the introduction of vehicle stickers, but does support investigating a liquor tax. He fears if they approve \$3 million revenue, but only come up with \$1 million, they will have to fill the gap probably through property taxes. Property tax increase is the only way to guarantee funding. He does not want to go backwards on programs. He has questions regarding the costs of Priority C items. He reiterated that they have to talk about revenue, and it will be hard to commit to \$3 million in revenue without exploring alternatives and knowing what revenue they will generate. He said they need to know what they will get for the bond.

Commissioner Barnett said that the \$3 million they are discussing is for the ability to maintain what the Village already has. If the Council agreed, the Village would take out a \$25 million bond to rebuild all the systems that have fallen into disrepair, while continuing to have the annual \$3 million gap.

Commissioner Rheintgen commented that a few weeks ago they discussed a middle ground between \$3 and \$5 million, and she thought there was some agreement with that. She thinks that what is also being discussed is finding money for the General Fund as well. Mr. Fieldman responded that would be only on an as-needed basis. By employing previous discussed strategies, the staff thinks they will address the gap in the General Fund.

Mayor Tully said that staff needs the Council's direction as to what to accomplish over time, and then figure out how to pay for it.

Commissioner Rheintgen clarified that they would find things to agree upon, add up the costs, and see how much it generates.

Commissioner Neustadt asked whether the strategies for the four funding groups are separate from the bond. Mr. Fieldman said they were, although all funds pass through the General Fund. He would recommend going with the "no change" option until there is agreement on the long range plan for infrastructure.

Commissioner Schnell then addressed the issue of the \$10 million bond for the water fund, and asked if that is funded by the increase in the water rate. Mr. Fieldman said that was correct, and he did not hear any objections to following the Water Fund plan. Commissioner Schnell then said that either we commit to the streets with the \$25 million bond and come up with the \$3 million, or commit to lower levels and not do some of the streets.

Mr. Fieldman stated for clarification that the plan is to proceed with the \$25 million bond issuance in 2012 and commit to the additional \$3 million in revenue in 2013. If the Council is not comfortable with committing to that, then staff would recommend not to proceed with the bond issuance, and take the money that would otherwise be for the bond and go to Priority A, which he then displayed on the overhead. Mayor Tully said that was not acceptable.

Commissioner Waldack said he keeps looking at the debt payment schedule, which is about \$9 million. In 2012 it begins to drop off. He prefers not having the debt payment. Mr. Fieldman replied that would be Option 1, and that money would be used for Priority A projects.

Commissioner Waldack said he would like to enhance revenues, including a vehicle sticker program. He associates revenue with projects. A \$25 vehicle sticker raises about \$1 million. The Food and Beverage tax raises about \$650,000, which would be a possibility. There is a \$1.9 million transportation fund deficit, and he thinks making the parking fees reasonable, as opposed to cheaper than a ride at Grove Fest, would help. There is no true impetus to get it paid off by 2012. Mr. Fieldman responded that the impetus is that rating agencies like to see a predictable solid plan. Commissioner Waldack said they could continue to consider options with the deficit and stretch it out. He would like to talk about keeping this as much a pay-as-you-go situation as possible. He has no problem with the Water Fund. He believes they have to do something regarding the stormwater utility, and he can support that, although he was never a big fan of that concept. He also feels they should combine the matrices for the roadway and sidewalks projects.

Mr. Fieldman responded that there clearly has been a lot of conversation about the infrastructure and facilities. Regarding the Water Fund, they have a plan for this fund that was prepared last year. He asked if anyone objects to the recommendation as to how to address the Water Fund.

Mayor Tully asked if they were able identify additional revenue sources that would not tie into an increase in water rates, how it would affect the plan. Mr. Fieldman responded that they could do two different things—accelerate the improvement in the water system, or decrease the speed in which the rates would increase.

Mayor Tully then discussed considering alternative revenues, such as advertising with the water bills. Some towns do that.

Commissioner Neustadt said that the Council needs to have a conversation about alternative revenues agreed to the plan. Mr. Fieldman said that staff would not need to know what alternative revenues there are right now. Mayor Tully said he would like to see more options where funding comes from people who are not residents but who use the services.

Commissioner Waldack suggested that there might be money available through Federal grants. Mr. Fieldman said that staff always investigates that idea. Commissioner Waldack said he would hate to spend money on projects and later find out that there was grant money available.

Commissioner Schnell asked if there is any funding available for residential sidewalks, and Mr. Fieldman said that staff could pursue this.

Downtown TIF Strategies

Mr. Fieldman said that this realistically would include an increase in parking fees, as well as seeking the \$500,000 grant. Commissioner Neustadt asked how realistic it is to increase the fees. The Manager said that there are several parking spaces outside Metra's control. The Village controls permits for employee/residential parking. Metra controls any commuter related fees.

Commissioner Barnett commented that he has issues with the way the Village funds the Downtown Management, and the Council agreed to talk about this but that conversation has not yet occurred.

Commissioner Schnell commented that they cannot continue to add to the property tax, and that is why they must look at other revenue sources.

Mayor Tully asked about extending the TIF. The Manager said that could be considered at a later date. Mayor Tully commented that knowing it is a possibility later would be useful.

Commissioner Barnett commented about considering an early payment of the TIF debt, and the Manager said they would have to work with a financial advisor. Commissioner Barnett asked if there are separate notes on the parking deck independent of the TIF, and the Manager responded

that he would get that information to the Council.

Commissioner Neustadt inquired as to the additional number of parking spaces that would be generated at the Belmont station, and whether that would shift commuters to that location. The Manager said that the Belmont project results in approximately the same number of spaces.

Commissioner Neustadt asked whether the Village has maxed out the gasoline tax, and the Manager said it has not.

General Fund Actions – consensus

Mr. Fieldman reviewed the actions to which the Council agreed, including operating efficiencies, reducing personnel expenses, partnering with others, adjusting fee schedules regularly, and continuing to find enhanced revenue bases. Only after these are exhausted will the property tax levy increase be considered.

Transportation Fund Actions

The Manager said the Village will continue the ongoing Pace agreement, and use local gasoline tax revenues to retire the accumulating deficit over time. In the alternative, explore transfers from the General Fund, or interest income as it comes back.

Commissioner Rheintgen asked how much would be generated from the dedicated interest income.

Judy Buttny, Finance Director, projected 1% for one year.

Commissioner Durkin asked as to five year interest rate projections. He said the Village's financial advisor is projecting 4% interest rates in 5 years.

Mayor Tully said whatever the percentage is, it would be applied to this fund. It is an enterprise fund and can be revisited regularly.

Commissioner Barnett stated that he wants to take the local gas tax out of this fund. He would like to see either a General Fund transfer or use of interest income to pay off the debt.

Commissioner Durkin said that he told staff some time ago they should look at interest income as additional revenue.

Mayor Tully said that as long as there is a plan to eliminate the management note the dedicated interest income could be used to show a plan toward retiring the debt for the auditors. Mr. Fieldman asked to clarify that they would remove use of the local gasoline tax revenue as an

action. He said it is likely they will need this in 2012, but not going forward.

Commissioner Neustadt asked how much more room they have to increase the gasoline tax, and Mr. Fieldman said that the tax generates \$130,000-\$195,000.

Infrastructure and Facilities – Actions

Mr. Fieldman reviewed the actions agreed upon which include following established priorities; issuance of \$25 million in bonds; committing to \$3 million in additional revenue; bundling the sidewalk projects with other projects.

Mayor Tully noted that it is incumbent on the Council to commit to a specific direction.

Commissioner Barnett asked whether they could add meetings and the Mayor responded that they have to figure out where they are going, and what they want to accomplish.

Commissioner Neustadt suggested committing to the \$3 million on property tax, if they don't agree on a revenue source to reduce that debt. Mayor Tully noted that there will be a cost no matter what.

Commissioner Rheintgen asked about when the stormwater utility would be available. The Mayor responded that it doesn't have to be new money, it could be shifting money, but he stressed that no matter what, these are going to be very tough choices.

Commissioner Waldack commented that he wants to see how much a specific project will cost. The Manager responded that it would be \$3 million for maintenance, and \$25 million for stormwater reconstruction.

Commissioner Schnell noted that they have to commit to \$20-\$25 million to fix the streets. She objects to the wording of the \$3 million in property taxes if they cannot agree. She would like to have wording specifying they will work collaboratively to raise revenues other than property taxes.

Commissioner Neustadt said he felt they need more information on alternative revenue sources and on Priority C level projects. Commissioner Barnett agreed that more information on C level projects is necessary.

Commissioner Durkin noted that there has been no discussion about repaying of monies borrowed from the reserves. Mr. Fieldman said that the reserves will be at the recommended 40% level. Instead of taking out \$1 million, they took out \$300,000 and those funds are replenishing now. Staff doesn't see a need for discussion regarding reserve issues as they are tracking at the 40% recommendation. Commissioner Durkin said he would like to know how the

replenishing came about.

Commissioner Durkin then asked about extending the bonds in 2022 and whether staff has followed up on that. He said he believes that is imperative. He also asked what additional cuts could be made toward the \$3 million savings. In addition he is ready to go with recommending the \$25 million bond and additional revenues from a vehicle sticker program.

Commissioner Neustadt commented that he would like more information about the gasoline and liquor tax, and any other creative municipal revenue.

Commissioner Barnett asked for more Priority C level commentary.

Commissioner Schnell commented about the \$3 million in revenues they are trying to find, and wants to see them tie the revenue to the project with the understanding that the Village has to remain competitive. She would consider vehicle stickers and the Home Rule Sales Tax increase. She is also in favor of a correlation between revenues and expenses.

Commissioner Rheintgen asked about the gas utility tax and electricity tax, and what the average impact would be on the individual homeowners.

Commissioner Waldack said he doesn't want vehicle stickers, but thinks they make sense. As for the gasoline tax, he likes the proposed change discussed to direct the money toward the Transportation Fund. He would also like to look at gas and electric utility taxes. He would like to look at the projects as a whole, and he thinks he can come up with \$4 million in revenue, and he would prefer to avoid borrowing any money.

Commissioner Neustadt asked the Council members to share their revenue and expenses ideas with each other.

The Mayor said that capital needs are long overdue and he would like to see those taken care of. He also wants to look at additional cuts in the budget, as well as pursue stormwater utilities and consider alternative revenue sources.

Commissioner Barnett asked whether it is a safe assumption that staffing requirements are included, and Mr. Fieldman responded that if they add C level projects, they will have a staffing discussion. He added that \$3 million of maintenance would potentially get the Village through a 3-5 year plan.

Commissioner Barnett then asked about taxes that they, and other communities, were levying some of which were flat rate versus percentages. He wants to have more information as to how to utilize that to counter some of these issues.

The Manager said he would get back to the Council on the scheduling.

Mr. LeCren said that with respect to alternative revenues, previous discussions focused on income, not the cost to administer the program. Mr. Fieldman said staff will revisit this.

Mr. LeCren then asked whether a source of revenue has been identified to pay off the \$25 million bond issuance. Mayor Tully said it is part of the \$3 million. The Manager added that the money to pay off the bond has been identified.

Chris Fregeau asked that the Council help everyone stay focused on the priorities as they have shifted. The Strategic Plan addresses priorities differently than what was discussed tonight.

Mayor Tully explained that some of this is language.

There being no further discussion, Mayor Tully adjourned the meeting at 8:47 p.m.