2019 - 2021
Long Range Plan

2020 Update

Report # 3
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Strategies & Solutions

For the 2020 update to the Long Range Plan, the strategies and solutions to address the key issue are presented in the form of a COVID-19 Financial Response Plan. This plan will likely be similar to the Financial Response Plan presented to the Village Council in April 2020. While the plan presented in April is intended to guide the Village's response for the remainder of 2020, the LRP version of the Financial Response Plan is designed to be implemented over a longer period of time, at least through 2021.

Challenges

This issue presents several significant challenges which should be considered when preparing the response plan.

Uncertainty of Future Revenues

There is a great deal of uncertainty about the duration and impact of the pandemic on the local economy. No one can predict for sure for how long and to what extent the economy will be affected.

Delay in Obtaining Revenue Data

Another challenge is the lag time in the reporting of many of the Village's major revenue sources. For example, there is a 90-day lag in the reporting and remittance of Sales Tax revenue.

Uncertainty about Federal and State Financial Assistance

There is also uncertainty about financial assistance available to municipalities from the Federal and State governments. The Federal CARES Act does not provide financial assistance for municipalities with populations less than 500,000.

DuPage County recently approved an Inter-governmental Agreement which provides municipalities CARES Act funds up to $51.84 per person. Downers Grove is eligible for a grant up to $2.5 million to be paid over the remainder of 2020. The Village's first application to the County will be submitted in early August.

Objectives

The response plan should be guided by a series of objectives supported by the Village Council. Below are four objectives presented for Council consideration.

Achieve and Maintain Financial Sustainability

The Village's response should support financial sustainability; defined as aligning expenses with revenues on a long-term basis. Reserves in each fund, especially the General Fund, should be maintained at recommended levels on a long term basis. Reserves should not fall below 50% of the recommended level in any one year and reserves should not be below recommended levels for a period of more than three years. Fund balances in the Health and Risk Funds should remain robust in anticipation of increasing expenses related to the pandemic.

The Village has achieved and maintained financial sustainability during the past decade by restructuring staffing, operations and revenues in 2010 and making incremental adjustments to both revenues and expenses in the following years. Minor changes are made on an annual basis. More significant adjustments are made every few years as necessary. Examples of significant adjustments include the creation of the Stormwater Utility in 2013 and the adoption of a Food & Beverage tax in 2018.

Consider Modifications to Service Levels Excluding Substantial Reductions
Service levels should not be substantially reduced to respond to revenue shortfalls, but instead may be modified, shifted or enhanced to respond to community and Council expectations. Any modifications are not likely to result in substantial changes in General Fund expenses or eliminate major services currently provided. They may result in efficiency improvements or redirection of limited financial resources based on Council direction.

Maintain Low Life Cycle Costs of Infrastructure Systems
The Village owns and maintains several infrastructure systems including streets, sidewalks, stormwater, and water systems. These systems are operated and maintained according to multi-year plans designed to minimize the overall life-cycle cost of ownership. The response plan should not negatively impact the life-cycle cost of owning and operating infrastructure systems.

Align the Response with the Magnitude and Duration of the Issue
The Village's response should align with the magnitude and duration of the impacts of the pandemic. The response plan should be scenario based, scalable and have established timelines for making decisions and implementing action steps.

Key Concepts for the Plan

Multiple Funds
The negative impacts of the pandemic are affecting many funds including the General Fund, Capital Fund, Major Buildings Fund and Parking Fund. The General Fund, even with reserves at the recommended level, may not have the financial resources to fully respond to the issue. Many funds have financial resources which the Village may choose to use as part of the response plan. This concept is a key component of the current COVID-19 Financial Response Plan with up to $6.5 million being transferred from the Capital and Major Buildings Funds to the General Fund.

Tiered Approach
The plan should consist of multiple, quantified action steps to be implemented in a priority order. Each set of actions, or tiers, should be determined in advance and implemented as economic conditions and Village revenue performance dictates.

Timelines for Decision Making and Implementation
Information about revenue performance will become available at different times. Most revenue

reporting includes significant delays; some as much as 90 days. As revenue information becomes available it will be used to help direct actions in the response plan. The plan should identify when key revenue information will be available and identify which action steps will be taken when and under what conditions.

Continuous Monitoring, Reporting and Decision Making
Due to the constantly changing nature of this issue, revenues and expenses in the key funds should be monitored on an ongoing basis. Information should be shared with the Village Council and the public at regular intervals. The Village Council and staff should work together to make plan implementation decisions at key points throughout the remainder of 2020 and throughout 2021.

FY21 Financial Response Plan

The proposed FY21 Financial Response is summarized below. The actions are presented in the order in which they are planned to be implemented and can be used to address a financial gap of up to $8.3 million. The greater the revenue shortfall, the more actions will be undertaken. The plan will be used to prepare the FY21 municipal budget for Village Council consideration in November and December.

FY21 Financial Response Plan	
Seek Financial Assistance	TBD
Control General Fund Expenses	Up to $1.3 Million
Reduce General Fund Transfer to Risk Fund	Up to $1.0 Million
Enhance General Fund Revenues	Up to $1.0 Million
Reduce Capital Investment to Essential Projects	Up to $2.0 Million
Use General Fund Reserves	Up to $3.0 Million
Total	**Up to $8.3 Million**

Additional Plan Components
In addition to the six action steps with estimated dollar amounts, the plan includes the following two additional components.

<u>Continue to Pay for Public Safety Pension Contributions with Property Tax Levy</u>
The Village is required to make annual contributions to public safety pension funds according to state statutes. For FY21, the required contributions are expected to increase by $1.16 to

$1.95 million. For the past many years, the Village has levied property taxes to make these contributions. This practice should continue in FY21 and beyond.

Avoid Issuing Debt
During the time of revenue performance uncertainty, the Village should avoid issuing debt and creating additional future debt service payment obligations.

Seek Federal, State and County Financial Assistance - Amount TBD
The Federal government has made some funding available to municipalities to help offset the negative impacts of the pandemic. Additional funding may be made available in the future. The Village should continue to seek any and all financial assistance available. However, due to the uncertainty of obtaining funds, the plan should not count receiving any assistance.

Control General Fund Expenses - Up to $1.3 Million
These measures are not intended to be implemented on a permanent basis as they are not sustainable over a long period. These expense control measures, which began in mid-March, 2020, are intended to be used throughout 2021 (a total of 21 months).

Fill Essential Vacancies Only - There are 9 vacant positions now. Some or all of these positions should remain vacant for the balance of FY20 and into FY21, if current economic conditions persist. Vacancies should be filled when revenue performance allows.

Essential Travel and Training Only - The Village provides a robust training program for employees. Essential training necessary to retain licenses and professional credentials should continue to be provided. Any additional training should take advantage of low-cost, local and web-based classes and seminars.

Essential Purchases Only - During the period of poorly performing revenues, purchases should be limited to only the most essential goods and services.

Reduce the General Fund Transfer to the Risk Fund - Up to $1 Million
This action step reduces expenses in the General Fund and reduces revenue in the Risk Fund. The Risk Fund accounts for workers compensation and general liability expenses. Revenues for the Risk Fund are generated by contributions from other funds including the General Fund. Typically, the General Fund annual contribution to the Risk Fund is about $2 million. Over the past several years the Village has been reducing the average annual expenses in the Risk Fund. Staff estimates that Risk Fund expenses in 2020 will be $1.8 million, approximately $500,000 less than the budgeted amount. This excellent performance in the Risk Fund will allow the Village to significantly reduce the transfer from the General Fund by up to $1 million in 2021.

Risk Fund Revenue, Expenses and Balance, 2017 to 2020

Year	Revenue	Expenses	Ending Balance
2017	$2,966,627	$2,553,078	$1,608,295
2018	$2,345,587	$1,740,452	$1,445,953
2019	$2,376,696	$1,369,527	$2,409,750
2020 Budget	$1,706,000	$2,334,694	$1,781,056
2020 Estimate	$1,720,000	$1,816,050	$2,313,700

Enhance Revenues - Up to $1.0 Million

The Village should explore increasing the rates of the following existing revenue sources in conjunction with the adoption of the FY21 budget.

Existing Revenues - Potential Increases			
Revenue	**Current Rate**	**Potential Rate**	**Approximate Revenue**
Food and Beverage Tax	1%	1.5%	$700,000
Ambulance Fees	Varies	+25% Increase	$375,000
Property Tax Levy - Ops	$6.0 Million (FY20 Bud.)	TBD	--

Defer Capital Projects in the Capital & Major Buildings Fund and Shift the Revenue to the General Fund (Essential Projects Only) - Up to $2.0 Million

Under this action step, the Village would construct essential capital projects only and would transfer revenues used to fund capital projects to the General Fund in an amount up to $2 million. Essential projects consist of those which must be completed in a timely manner such that the long term cost of owning and operating the infrastructure system in question does not increase. This is consistent with the objective *Maintain Low Life Cycle Costs of Infrastructure Systems.* This strategy, which is now being employed in FY20, can be used again in FY21. However, staff does not recommend using this strategy in FY22 and beyond as the life cycle costs of the infrastructure system are likely to increase if capital projects are delayed for more than two years.

With this approach, the street resurfacing program would be reduced and funded entirely with State motor fuel tax revenues. The Jefferson-Brookbank Sidewalk Connection project and the Downers Drive/Finley Mall Traffic Signal Replacement Project would be postponed until FY22.

The Capital Projects Fund will be in a good financial position to support the General Fund due to a $3 million Rebuild Illinois grant. The Village will be receiving about $3 million to pay for new transportation related projects (maintenance activities are not eligible). The grant will be paid in 6 equal installments over the next three years. The Village recently received the first two installments totalling over $1.0 million. Staff is now working with IDOT to confirm that the funds can be used for the following projects which have already been identified:

- Transportation Projects included in the High School Pedestrian Safety Study
- Reconstruction of Forest Lot North parking lot
- Replacement of Traffic Signals

This strategy applies only to the Capital and Major Buildings funds. Capital projects for the stormwater management system (Stormwater Fund), the water system (Water Fund) and portions of the street system funded by the Motor Fuel Tax Fund will not be affected by this plan.

Use General Fund Reserves - Up to $3.0 Million
The General Fund currently has a balance, or reserves, of $20.6 million. This represents about 41.4% of budgeted FY20 expenses. The Village's fund balance policy and the financial rating agencies' best practice recommendations call for maintaining a balance of approximately 38% of annual expenses. The use of $3.0 million would result in a balance of $17.6 million, which is 35% of estimated FY21 expenses. Reserves would be replenished to the recommended level of 38% over the next two years.

Municipal Comparison of Revenue Enhancements

Food & Beverage Tax - The Downers Grove Food and Beverage Tax is a 1% tax on the purchase price of alcohol, packaged liquor, prepared foods and non-alcoholic beverages for immediate consumption.

Food & Beverage Tax - Additional Revenue

Rate	Additional Revenue
Current - 1%	--
1.5%	$700,000
2.0%	$1,400,000
2.5%	$2,100,000
3.0%	$2,800,000

Food & Beverage Tax - Rate Comparison

Municipality	Food & Beverage Tax Rate
Hoffman Estates	2% F&B (3% Packaged liquor)
Schaumburg	2%
Lombard	2%
Naperville	1% (2% DT)
Glendale Heights	1%
Elk Grove	1%
Buffalo Grove	1%

Natural Gas Use Tax - The Village currently taxes natural gas usage at $.015 per therm, with 100% of the revenue allocated to the General Fund. The maximum rate is $.05 per therm. This revenue source currently generates $450,000 per year.

Natural Gas Use Tax - Additional Revenue

Rate	Additional Revenue
Current - $.015 per therm	--
$.020 per therm	$150,000
$.030 per therm	$450,000
$.040 per therm	$750,000
$.050 per therm	$1,000,500

Natural Gas Use Tax - Rate Comparison

Municipality	Natural Gas Use Tax Rate
Carol Stream	**$.040**
Naperville	**$.040**
Wheaton	**$.030**
Glen Ellyn	**$.020**
Elmhurst	**$.015**
Lombard*	**5.00%**
Oak Brook	**5.00%**

*Lombard and Oak Brook tax based on percentage.

Ambulance Fees - The Village charges ambulance service fees based on the type of service call, the mileage driven and whether or not the patient is a resident. The Village currently generates $1,500,000 in revenue from Ambulance Fees.

Ambulance Fees - Additional Revenue

Rate	Additional Revenue
Current -	--
25% Increase	$375,000
40% Increase	$600,000

Ambulance Fees - Rate Comparison

Municipality Comparison	Downers Grove Rank
Current	22
25% Increase	13
40% Increase	13

The average ambulance service fees across 26 municipalities were used to compare ambulance rates.

Home Rule Sales Tax - The Home Rule sales tax is in 0.25% increments with no maximum rate limit. The Village taxes at a rate of 1.0%.

Home Rule Sales Tax - Additional Revenue

Rate	Additional Revenue General Fund	Additional Revenue Capital Fund
Current - 1.0%	--	
1.25%	$375,000	$1,125,000
1.50%	$450,000	$1,350,000
1.75%	$525,000	$1,575,000

Home Rule Sales Tax - Rate Comparison

Municipality	HRST Tax Rate
Lombard	2.00%
Oak Brook	1.50%
Glen Ellyn	1.25%
Wheaton	1.00%
Downers Grove	1.00%
Carol Stream	1.00%
Elmhurst	0.75%
Naperville	0.75%

***Electricity Tax* -** This tax is assessed on electricity consumption by residential and commercial customers in Downers Grove. The Village taxes at 65% of the rate maximum allowed by the state.This revenue source currently generates $1,900,000 per year.

Electricity Tax - Additional Revenue

Rate as % of Max	Additional Revenue
Current 65%	--
75%	$290,000
90%	$730,000
100%	$1,000,000

Electricity Tax - Rate Comparison

Municipality	Electricity Tax Rate as % of Max
Wheaton	100%
Lombard	100%
Oak Brook	100%
Glen Ellyn	88%
Elmhurst	88%

Local Gasoline / Motor Fuel Tax - A local motor fuel tax is levied directly by the Village on gasoline sold at retail in the Village limits. The motor fuel tax is levied at $.015/gallon. This revenue generates $200,000 per year.

Local Gasoline Tax - Additional Revenue

Rate	Additional Revenue
Current - $0.015	--
$0.020	$65,000
$0.025	$135,000
$0.030	$200,000

Local Gasoline Tax - Rate Comparison

Municipality	MFT Tax Rate
Naperville	$.040/gallon
Elmhurst	$.015/gallon
Carol Stream	$0.04/gallon
Glen Ellyn	$0
Lombard	$0
Wheaton	$0
Oak Brook	$0

New Revenues - The following revenues are currently not charged by the Village but are available under state statute.

Vehicle Stickers - The Village does not require vehicle stickers for vehicles principally housed within Downers Grove. This would be a new fee. The projected revenue below is based on Census data -with 19,187 households at approximately 2 cars/household.

Vehicle Stickers - Projected Revenue

Rate	Projected Revenue
$20	$750,000
$30	$1,000,000
$35	$1,300,000
$40	$1,500,000
$45	$1,725,000

Vehicle Stickers - Rate Comparison

Municipality	Rate	Transfer Fee
Elmhurst	$45	$2.00
Glen Ellyn*	$25	$0.00
Carol Stream	$15	$1.00

*A three-year fee can be purchased for $70.
-All municipalities with a vehicle sticker fee have higher graduated fees for heavier vehicles (trucks, recreational vehicles), and lower fees for motorcycles/mopeds.

Real Estate Transfer Tax - The Village could levy a real estate transfer tax, which would be levied on the sale of residential or commercial property. The tax can be levied on the seller of the home or the purchaser of the home. This tax would require approval by referendum.

Real Estate Transfer - Projected Revenue

Tax Amount per $1,000	Projected Revenue
$1.50	$325,000
$2.00	$430,000
$2.50	$540,000
$3.00	$650,000

Real Estate Transfer - Rate Comparison

Municipality	Rate Per $1,000 of Sale Price
Carol Stream	$3.00
Glen Ellyn	$3.00
Naperville	$3.00
Wheaton	$2.50
Elmhurst	$1.50

Video Gaming Revenues - The Village currently does not allow video gaming. The Video Gaming Act states revenue from video gaming terminals is to be split between the State, the establishment, and the terminal operator. The State receives 30%, and the establishment and terminal operator both receive 35%. Of the 30% tax to the state, the municipality receives 5%.

Video Gaming Tax - Projected Revenue

Tax Rate	Projected Revenue
Video Gaming Revenue	\$100,000 - \$300,000 (\$10,000 - \$15,000 per establishment)

Municipalities Allowing Video Gaming

Municipality	Number of Establishments	Video Gaming Revenue
Addison	23	\$400,000
Westmont	17	\$385,000
Carol Stream	16	\$310,500
Lemont	23	\$250,000
Orland Park	19	\$155,000
Woodridge	8	\$115,000

Fire Recovery Billing and EMS Refusal **-** Over 120 fire departments bill for fire response related services within Illinois. The cost of fire response related services are based on actual costs using amortized schedules for apparatus (including useful life, equipment, repairs, and maintenance) and labor rates include an average department's actual burdened labor costs and not just a firefighter's wage. These include wages, retirement, benefits, workers comp, etc.

In addition to billing for fire response related services, the Village could charge a fee for refusing emergency medical services (EMS). Refusals are not covered under insurance and are out of pocket. The majority of agencies charging for refusals charge $50-$100, Village staff recommends charging $100 for refusal of service.

Fire Recovery Billing - Projected Revenue

Projected Revenue
$130,000

Municipalities that bill for Fire Recovery

Municipality
Darien-Woodridge
Lisle-Woodridge
Naperville
Tri State Fire District
Warrenville
Westmont

EMS Refusal - Projected Revenue

Cost of Refusal	Projected Revenue
$100	$55,000

EMS Refusal - Rate Comparison

Rate Comparison
Majority of Fire Departments charge $50 - $100 for EMS refusal