



**Date:** April 8, 2020  
**To:** Village President & Board of Trustees  
**From:** Michael Braiman, Village Manager  
**Subject:** FY 2020 General Fund Expense Analysis- COVID-19

While the Village is strongly positioned to weather a COVID-19 economic slowdown due to strong reserve levels and a diverse revenue stream, the extent and duration of the economic impact is unknown. Further, the FY 2020 – 2022 budgets include planned spend down of General Fund reserves to address future challenges and reduce pressure on the property tax levy. Given the economic uncertainty, and to minimize further reductions in reserve levels, staff has conducted a review of FY 2020 Budget expenses to identify potential areas of deferral until such that the full COVID-19 impact can be better understood. In total, staff has identified approximately \$764,000 of potential General Fund expense savings for 2020.

Staff will present this memorandum at the April 14 Village Board meeting for discussion and feedback from the Board.

### Background

The General Fund ended FY 2019 in a strong position with reserves as follows:

Operating reserve	\$12,612,000
CERF reserve	\$2,398,000
<b>Total Reserve</b>	<b>\$15,010,000</b>

As part of the FY 2020 budget process, the Village identified \$4.3 million in planned reserve draws from 2020 – 2022 including the following for FY 2020:

<b>Program</b>	<b>Reserve Draw (\$)</b>
Public safety pensions	200,000
Comprehensive plan	200,000
CERF	965,000
<b>Planned FY 2020 draw</b>	<b>1,365,000</b>

Further reserve spending in FY 2021 and 2022 is planned as follows:

<b>Program</b>	<b>Reserve Draw (\$)</b>
Public safety pensions	1,000,000
Infrastructure	900,000
CERF	1,060,000
<b>Planned FY 21-22 draw</b>	<b>2,960,000</b>

Additional reserve spending of \$500,000 is anticipated in FY 2020 to fund the grant programs assisting businesses during COVID-19.

**Discussion**

This memorandum identifies potential General Fund expense savings/deferrals in three categories:

- 1) General Fund- Operating Expenditures (savings of \$300,000)
- 2) General Fund- Engineering Program (savings of \$222,000)
- 3) General Fund- Capital Equipment Replacement Fund (savings of \$242,000)

General Fund Operating Expenditures

Each Village department was asked to conduct a thorough review of FY 2020 operating expenses to identify potential savings. Given that many of the budget reductions enacted during the Great Recession remain in place, the opportunities for operating expense savings without major service impacts is limited. The following chart details programs staff has identified for potential deferral, totaling approximately \$300,000:

Department	Description	Comment	Potential Savings
All departments	Training	Defer out of state conferences and other non-essential trainings	34,000
Community Development	Permit Scanning	No major impact	17,000
Community Development	Winter Hanging Baskets	Defer decision on this item until late fall	17,000
Community Development	LED tree lighting- re-wrap trees	To be performed in house rather than outsourced	15,000
Engineering & PW	Street light pole painting	Defer to 2021, no major impact	30,000
Engineering & PW	Street light lead abatement	Defer to 2021, no major impact	10,000
Engineering & PW	Gas and oil	Lower commodity costs and less usage	45,000
Engineering & PW	Contractual Snow Plowing	Less usage due to mild winter	50,000
Engineering & PW	Tree Planting	Spring program deferred, re-evaluate for fall planting; con't 50/50 cost share	50,000
Engineering & PW	Tree pruning	Trim hazards only this fall	20,000
Engineering & PW	Streetscape furniture	Defer bench and garbage can replacements to 2021	8,000
Engineering & PW	Radio Maintenance	Defer 3 <sup>rd</sup> party analysis of radio system to 2021	4,000
<b>Total Savings</b>			<b>300,000</b>

General Fund- Engineering Program

The Engineering Program is part of the General Fund but has its own dedicated funding sources. The major revenue sources are listed below, with those being the most economically

sensitive highlighted in blue:

<b>Revenue Source</b>	<b>FY 2020 Budget</b>
Vehicle stickers	1,515,000
Motor fuel tax (MFT)*	1,200,000
Property tax	650,000
Local fuel tax	270,000
Home rule sales tax	135,350
Pavement degradation fee	120,000

\*The MFT is a separate fund with its own reserves totaling approximately \$600,000- these reserves should be sufficient to offset a projected MFT loss in 2020.

To partially offset the economically sensitive revenues, staff is recommending changes to the FY 2020 engineering program as follows:

<b>Description</b>	<b>Budget</b>	<b>Rec'd Savings</b>	<b>Comment</b>
Street Resurfacing	1,720,000	51,000	Bid savings- complete all planned work
Alley Maintenance	450,000	43,000	Bid savings- complete all planned work
Skokie Valley Trail	20,000	20,000	Deferred to 2021 due to grant process
Brick Street Maintenance	110,000	38,000	Bid savings- complete all planned work
Street Patching	92,000	-	Complete all planned work
Sidewalk Replacement	70,000	7,000	10% reduction; defer mud-jacking
Pavement Marking	50,000	-	Complete all planned work
Crack Sealing	25,000	-	Complete all planned work
Traffic Calming	25,000	24,000	Defer traffic study to 2021
Curb Replacement	25,000	20,000	80% reduction; critical repairs only
Pavement Rejuvenation	19,000	19,000	Defer; minimal long-term impact
<b>Total Savings</b>		<b>222,000</b>	

Note: For the Board's consideration, two additional FY 2020 engineering program funding options, not recommended by staff, are included as Attachment #1 and will be discussed in greater detail at the April 14 Village Board meeting:

- Program savings of \$350,000 (reconstruct one less alley)
- Program savings of \$138,000 (complete maintenance programs such as sidewalk, curb, brick street maintenance, and pavement rejuvenation to full budget allocation)

General Fund- Capital Equipment Replacement Fund

The Capital Equipment Replacement Fund (CERF) is part of the General Fund and has its own dedicated funding sources which include:

- 50% of non-recurring permit revenues
- Transfers from the Police, Fire and Public Works operating budgets

Long-term sustainability of CERF is largely dependent on the continued receipt of large non-recurring building permits.

While a majority of CERF items have already been purchased for FY 2020, staff has identified \$242,000 of vehicles/equipment that can be deferred until FY 2021 with minimal operational impact over the short-term:

Description	Comment	Budget (\$)	Potential Savings (\$)
<b>Recommended for deferral</b>			
Sidewalk Snowplow	Can be deferred to 2021; age/condition may lead to add'l downtime extending sidewalk clearing	162,000	162,000
Council Chambers AV	Can be deferred to later this year or 2021; age/condition may require add'l repairs this year	80,000	80,000
<b>Not recommended for deferral</b>			
Fire SCBA's	Deferral not recommended due to age/technology; RFP to be drafted in April	250,000	-
Phone System Replacement	Deferral not recommended due to lack of support; partnering with Park District & Library	24,500	-
PW Large Dump Truck	Deferral not recommended; contract signed, estimated lead time is 10-12 months	181,100	-
<b>Vehicle/Equipment purchase already in process</b>			
Fire Utility Truck	Truck delivered; outfitting in process	70,000	-
Fire Ambulance	Contract signed, ambulance ordered, delivery date TBD	270,000	-
PW Pick-Up Trucks (5)	Contract signed; 3 trucks delivered to dealer from Ford and 2 expected shortly	216,000	-
Police Squad Cars (4)	Contract signed and cars ordered; expected delivery is June 2020	184,000	-
<b>Total Savings</b>			<b>242,000</b>

### Next Steps

Staff is seeking feedback from the Village Board regarding the above recommendations. To keep the engineering program on schedule, contract awards for road resurfacing, alley maintenance and the brick program will be on the April 28 Village Board agenda.

### Documents Attached

1. Engineering program funding options
2. Presentation for April 14, 2020 Village Board meeting

# FY 2020 Engineering Program Expense Savings Analysis- COVID-19

**General Fund- Engineering Program**

Account Number	Description	Budget	Option 1 Savings	Option 1 Notes	Option 2 Savings	Option 2 Notes	Option 3 Savings	Option 3 Notes
425000	Sidewalk Replacment Program	\$70,000	\$14,000	20% reduction, defer mud-jacking & pavers	\$7,000	10% reduction, defer mud-jacking	\$0	Complete all planned work
425100	Curb Replacement	\$25,000	\$23,000	90% reduction, defer to 2021	\$20,000	80% reduction, critical repairs only	\$0	Complete all planned work
425200	Alley Maintenance Program	\$450,000	\$161,000	Defer one alley to 2021	\$43,000	Bid Savings- complete all planned work	\$43,000	Bid Savings- complete all planned work
425200	Street Patching	\$92,000	\$0	Complete all planned work	\$0	Complete all planned work	\$0	Complete all planned work
425210	Pavement Surface Rejuvenation	\$19,000	\$19,000	Defer, minimal long-term impact	\$19,000	Defer, minimal long-term impact	\$0	Complete all planned work
425220	Pavement Marking Program	\$50,000	\$0	Complete all planned work	\$0	Complete all planned work	\$0	Complete all planned work
425230	Brick Street Maintenance	\$110,000	\$38,000	Bid Savings- complete all planned work	\$38,000	Bid Savings- complete all planned work	\$0	Award to budget- complete additional work
425240	Crack Sealing	\$25,000	\$0	Complete all planned work	\$0	Complete all planned work	\$0	Complete all planned work
425245	Traffic Calming Program	\$25,000	\$24,000	Defer traffic study to 2021	\$24,000	Defer traffic study to 2021	\$24,000	Defer traffic study to 2021
425250	Street Resurfacing	\$1,720,000	\$51,000	Bid Savings- complete all planned work	\$51,000	Bid Savings- complete all planned work	\$51,000	Bid Savings- complete all planned work
425250	Central Avenue Reconstruction	\$1,584,870	\$0	TBD	\$0	TBD	\$0	TBD
470375	Skokie Valley Bike Trail	\$150,000	\$20,000	Deffered to 2021 due to grant process	\$20,000	Deffered to 2021 due to grant process	\$20,000	Deffered to 2021 due to grant process
<b>General Fund Potential Savings:</b>			<b>\$350,000</b>		<b>\$222,000</b>		<b>\$138,000</b>	

Option 2 is the staff recommendation

# FY 2020 General Fund Expense Analysis

## *2019 Year End Reserves*

Reserve	Amount	Operating Expense	% of Operating Expense
Operating Reserve	\$ 12.61 M	\$ 34.11 M	37%
CERF Reserve	\$ 2.40 M	\$ 1.44 M	167%
<b>Total Reserve</b>	<b>\$15.01 M</b>	<b>\$ 35.55 M</b>	<b>42%</b>

- Planned Drawdown of \$1.37 million in FY 2020
  - \$200,000 for Public Safety Pensions
  - \$200,000 for Comprehensive Plan
  - \$965,000 for CERF
- FY 2021 and 2022 Anticipated Drawdowns total \$2.96 million
  - For Public Safety Pensions, Infrastructure, and CERF

# FY 2020 General Fund Expense Analysis

## *Overview*

<b>Fund</b>	<b>Type</b>	<b>Amount</b>
General Fund	Operating Expenditures	\$300,000
General Fund	Engineering Program	\$222,000
General Fund	CERF	\$242,000
<b>TOTAL POTENTIAL SAVINGS</b>		<b>\$764,000</b>

# FY 2020 General Fund Expense Analysis- Operating

Department	Description	Potential Savings
Village-Wide	Training	\$34,000
Community Development	Permit Scanning	\$17,000
Community Development	Winter Hanging Baskets	\$17,000
Community Development	LED Tree Lighting – Rewrap Trees	\$15,000
Engineering & PW	Streetlight Pole Painting	\$30,000
Engineering & PW	Streetlight Lead Abatement	\$10,000
Engineering & PW	Gas and Oil	\$45,000
Engineering & PW	Contractual Snow Plowing	\$50,000
Engineering & PW	Tree Planting	\$50,000
Engineering & PW	Tree Pruning	\$20,000
Engineering & PW	Streetscape Furniture	\$8,000
Engineering & PW	Radio Maintenance	\$4,000
<b>TOTAL POTENTIAL SAVINGS</b>		<b>\$300,000</b>



# FY 2020 General Fund Expense Analysis- Engineering

Program	Description	Potential Savings
Street Resurfacing	Bid Savings – Complete Planned Work	\$51,000
Alley Maintenance	Bid Savings – Complete Planned Work	\$43,000
Skokie Valley Trail	Deferred to 2021 – Grant Process	\$20,000
Brick Street Maintenance	Bid Savings – Complete Planned Work	\$38,000
Street Patching	Complete All Work	\$0
Sidewalk Replacement	10% Reduction – Defer Mud-jacking	\$7,000
Pavement Marking	Complete All Work	\$0
Crack Sealing	Complete All Work	\$0
Traffic Calming	Defer to 2021 – Traffic Study	\$24,000
Curb Replacement	80% Reduction – Critical Repairs Only	\$20,000
Pavement Rejuvenation	Defer; Minimal Impact	\$19,000
<b>TOTAL POTENTIAL SAVINGS</b>		<b>\$222,000</b>

- Additional Options Include:
  - \$350,000 in Program Savings by reconstructing one less alley
  - \$138,000 in Program Savings to full fund maintenance programs

# FY 2020 General Fund Expense Analysis- CERF

Program	Comment	Budget	Savings
Sidewalk Snowplow	Recommended for deferral	\$162,000	\$162,000
Council Chamber A/V	Recommended for deferral	\$80,000	\$80,000
Fire SCBA's	Not recommended for deferral	\$250,000	\$0
Phone System Replacement	Not recommended for deferral	\$24,500	\$0
PW Large Dump Truck	Not recommended for deferral	\$181,100	\$0
Fire Utility Truck	Purchase in Progress	\$70,000	\$0
Fire Ambulance	Purchase in Progress	\$270,000	\$0
(5) PW Pick-Up Trucks	Purchase in Progress	\$216,000	\$0
(4) Police Squad Cars	Purchase in Progress	\$184,000	\$0
<b>TOTALS</b>		<b>\$1,437,600</b>	<b>\$242,000</b>