



CITY OF PARK RIDGE

MEMORANDUM

DATE: March 6, 2017
TO: Acting Mayor, Alderman, City Clerk & members of the Public
FROM: Joe Gilmore, Acting City Manager
SUBJECT: **FY18 City Manager Budget Presentation**

The annual budget process began in the summer of 2016, with strategic planning and capital project considerations, although in many ways the budget process is a year-round exercise. Analyzing the operation, seeking to improve services and continuously striving to be good stewards of the City's resources on a daily, weekly and monthly basis all lead to a more robust budget proposal.

The Municipal Code identifies certain responsibilities that the City Manager has regarding the budget, which have been met. While it is my responsibility to prepare and submit to the City Council a proposed budget for the City, this was truly a group effort, and the budget was made available on the City's website on March 3, 2017. Budget Workshop sessions have been scheduled, as required, and will be held in City Hall Council Chambers on March 8, March 22, and April 12. A public hearing has been scheduled for April 17, 2017 immediately preceding the final action to adopt the FY18 Budget. Lastly, Council Policy Statement 40 establishes Target Fund Balances which are identified and addressed in the Budget Scorecard document.

Current Year (FY17) overview and historical perspective

To understand where we are headed it is important to reflect on the City's recent financial history. Five years ago Moody's downgraded our bond rating and assigned a "negative outlook", signaling the potential of more financial trouble ahead. As recently as three years ago, the General Fund was not meeting minimum Target Fund Balance requirements. The Uptown TIF was significantly underperforming and unable to meet debt obligations, resulting in a General Fund subsidy. These and other barometers forecasted a rocky path forward. City Staff, with guidance from the City Council and the financial support of the residents, implemented difficult and responsible changes including significant levy increases, mandated belt-tightening, headcount reductions, and more stringent fiscal policies.

All of this was necessary and provided a much needed “reset”, and also helped set the stage for the record surpluses in FY15, FY16 and FY17 (forecasted). Beginning in fiscal year 2015, the General Fund exceeded the Target Fund Balance and has done so every year since. Uptown TIF bond refundings have saved the City over \$3M in interest expense. Lastly, Moody’s removed the bond rating “negative outlook” in 2016 based upon the City’s “improved financial position”.

While the financial results have been positive, it is important to recognize that certain maintenance, investment and upgrades – necessary for the long-term health of the organization – were deferred. Operations have stabilized and it is incumbent upon staff and City Council to take a longer view of the organization. The strategic planning process was a great first step in that direction.

Strategic Planning

In July 2016, Senior Staff and the Elected Officials embarked on a formal Strategic Planning process under the guidance of Northern Illinois University’s Center for Governmental Studies. This exercise was overdue and the absence of strategic sessions had been identified as a weakness in the prior budget cycle.

Throughout the iterative process, participants completed questionnaires and organization-wide analysis, and met in a series of meetings and public workshops. The overriding goal was to identify the direction and key issues to be addressed on a short and long-term basis. Every goal or priority identified through the process was categorized as either short-term (1-3 years) or long-term (3-7 years) and “routine” (accomplished with current resources – personnel and funding) or “complex” (requires extraordinary resources – external personnel/expertise and funding). The Elected Officials ranked all goals based upon their vision, priorities, and historical feedback/concerns from constituents.

Ultimately the Strategic Planning process yielded a ranked list of approximately 35 goals – *see Appendix A*. Under the direction of our facilitator, and in the interest of “right-sizing” the list to what could reasonably be accomplished in the near term, Senior Staff selected roughly the top half of the goals and identified them as “Tier 1” goals. These “Tier 1” goals were used as the roadmap in constructing the FY18 Budget. The departmental narratives within the budget workshop book identify the goals applicable to each department or fund.

The overarching theme of the Tier 1 goals and in turn the FY18 Budget can be generally categorized into four key areas: financial stability, infrastructure, technology, and personnel.

FY18 Budget

The headline for the FY18 Budget is creating a sustainable business model, one that seeks to minimize significant surprises (positive and negative) moving forward.

The history above is the basis for the FY18 Budget that is presented herein. Staffs first goal is to provide first class service to the residents while maintaining sound fiscal management. Also important is investment in infrastructure, facilities, technology, and the workforce. Lastly in an uncertain (State of Illinois) political climate, reserving some extra fund balance seems prudent.

Key highlights within the FY18 Proposed Budget:

Financial Stability

- Uptown TIF Fund covering 25% of related debt obligation (reducing Levy dependence)
- Increase IT Replacement and MERF funding by \$1.5M
- Cautiously spend down excess fund balance, ensuring the ability to react to potential cuts in state funding and address infrastructure, facility and staffing needs while minimizing need to acquire new debt

Infrastructure

- Increase water main replacement by 33%
- Increase sewer lining by 25%
- Address City Hall deferred maintenance – parking lot, HVAC, life safety

Technology

- Community Preservation and Development new “enterprise-wide” software transition
- HR implementation of automated recruitment, selection and applicant tracking system
- Double technology spending over prior budget

Personnel

- Conduct salary survey and establish a plan to address issues identified
- Increase public safety and human resource personnel to improve service levels and reduce turnover and overtime expense

Financial Review (In Millions)

		FY16 Audited	FY17 Forecast	FY18 Proposed Budget
General Fund				
	Revenues	\$35.1 **	33.7	33.5
	Expenditures	28.9	31.1	33.9
	Surplus (Deficit)	6.2	2.6	(0.5)
	Fund Balance	16.6	19.1	18.7
	Target Fund Balance	7.8	7.6	7.8
All Funds				
	Fund Balance	\$38.8	41.4	38.6
		Dec 2014	Dec 2015	Dec 2016
Tax Levy		\$21.7	21.9	20.1
	Change from Prior	+22.2%	+1.1%	-8.1%

***includes non-recurring sale of capital assets*

The FY18 Proposed Budget includes a General Fund deficit of \$477,821. This is the result of a conscious decision to conservatively increase spending and transfers to Internal Service Funds (specifically Information Technology Replacement Fund and Motor Equipment Replacement Fund) as needed for the long-term health of the organization.

December 2016 saw an 8% reduction in the tax levy – the first decrease in over ten years. Future reductions are possible but must be done in coordination with solidifying our infrastructure, services and staff. The next few years will see the General Fund surplus methodically reduced (while still meeting or exceeding the Target Fund Balance) with needed investments in infrastructure and operations and continued fortification of Internal Service Funds to support future needs.

Budget Workshop Sessions

As noted above, three budget workshop sessions have been scheduled at City Hall on March 8, March 22, and April 12. The public is welcome and encouraged to attend these sessions along with, as always, any Committee or City Council meeting.

The workshops are scheduled for three hours each, beginning at 6:00 PM with a hard stop at 9:00 PM. Elected Officials have the opportunity to submit any additional items or changes to the FY18 Proposed Budget in advance (preferably) or at the beginning of each workshop session. Additional research and/or additions or changes to the FY18 Proposed Budget will be pursued by staff with consensus from Council.

Conclusion

The FY18 budget preparation process was the most collaborative amongst staff and City Council in recent years. Forging a shared vision with input from all key stakeholders is critical to achieving the desired results.

Staff is looking forward to the budget workshop sessions and an opportunity to review and justify the proposed budget by department and fund. I am confident that when we reach the hearing on April 17 we will have jointly constructed a document that moves the City of Park Ridge to new heights.

Special thanks to all that participated in the Strategic Planning process. Also thanks to the Department Heads for their diligence in preparing the budget and to all Finance Staff, specifically: Andrea Lamberg, Acting Finance Director; Brian Patoska, Senior Accountant; Jose Ponce, Financial Analyst; and Julie Zarlenga, Senior Administrative Assistant.

City of Park Ridge 2017 Strategic Planning Goals & Objectives			
Category	Goal & Objective	Priority Level	Rank within Category
Short-term Complex	Establish and fund a stormwater utility and funding of stormwater projects a. Identification of flood projects resulting from master planning underway b. Explore/discuss/determine funding options (SSA's, utility model, financing, etc.) for stormwater projects	Tier 1	1
Short-term Complex	Improve technological infrastructure at City Hall/ enhance technology in all departments. Undertake an IT comprehensive strategic plan. a. Explore building function, permitting technology b. Implement and expand use of online technology for transactions, meter reads, payables, receivables, etc. c. Move toward a digital office – replace planning and development software that integrates with finance d. Implement applicant tracking software in HR	Tier 1	2
Short-term Complex	Examine/rethink focus of the Community Preservation & Development Dept. 1. Examine expanding / clarifying role of economic development 2. Consider staff with primary focus	Tier 1	3
Short-term Complex	Address Human Resources & Organizational Development Needs a. Develop bench strength b. Succession planning c. Conduct professionally administered compensation study/compression d. Develop path to improve morale e. Reduce employee turnover f. Address compensation and compression needs in public safety and other departments	Tier 1	4
Short-term Complex	Retain Planning Consultant to begin an update, revise the zoning code/ordinance	Tier 2	5
Short-term Complex	Improve image of the City externally via intergovernmental activities, etc.	Tier 2	6
Short-term Complex	Examine and reorganize departments to align well with needs of the community's service levels and strategic goals – a. Current structure result of changing dynamics and previous organizational decisions b. "Form should follow function" c. Assess staffing profile in the Police and Fire Departments to match staffing to shift shortfalls and reduce overtime and build the bench	Tier 2	7
Short-term Complex	Establish and specify a city-wide facility maintenance, repair, replacement program and begin repairs based on priority a. Conduct a space needs analysis for the existing Police Department facility – maximize what we have and be more energy efficient b. Identify facility enhancements, improve work environment & space, HVAC, effectiveness, and service delivery efficiency	Tier 2	8
Short-term Complex	Take steps to advance/formalize our sustainability efforts and policies – layout a path forward that makes sense for the City a. Formulate and adopt a green/sustainability plan/ provide services in an environmentally friendly way according to our plans and approaches	Tier 2	9

City of Park Ridge 2017 Strategic Planning Goals & Objectives			
Category	Goal & Objective	Priority Level	Rank within Category
Short-term Complex	Mobility enhancements – Explore options & improvements around town a. Parking, especially commercial, Metra, downtown b. Biking/walking c. Commuting	Tier 2	10
Short-term Complex	Implement an automated water meter read and improved tech-based system	Tier 2	11
Short-term Routine	Create an overall infrastructure plan a. Roads, sidewalks, curbs, lighting b. For both short-term and long-term capital needs c. Expand our sewer lining program and lengthen service life of sewer facilities	Tier 1	1
Short-term Routine	Continue to emphasize financial stability and fiscal management a. Within realm of community as a whole (beyond stormwater management needs) b. Continue to improve financial strength and improve bond credit rating c. Forecast funding needs of the City's internal service funds that have been depleted since 2008	Tier 1	2
Short-term Routine	Improve external customer service to residents.	Tier 1	3
Short-term Routine	Work to take a broader view of problem solving and alternatives a. Explore/consider actions that include breaking silos, and traditional problem solving b. Work to improve Council rapport and stability	Tier 1	4
Short-term Routine	Develop goals and metrics where we can see that we're raising the bar	Tier 2	5
Short-term Routine	Conduct/develop succession planning analysis/program in departments a. Undertake employee retention and motivation enhancement	Tier 2	6
Long-term Complex	Manage our stormwater utility master plan; the stormwater utility will be up and running and initial multi-year projects functioning within a fair framework flood program that works	Tier 1	1
Long-term Complex	See installation phase/construction begin on portions of our long-term/ adopted infrastructure plan	Tier 1	2
Long-term Complex	Establish improved communications with all stakeholders and residents	Tier 1	3
Long-term Complex	Improve technology according to our long term/IT plan a. Move to more proactive financial reporting and tracking, including technology upgrades, etc., to produce decision-making data b. Take steps to move to an entire digital flow in community development, planning, and inspections including digital storage and retention c. Move to a paperless HR recordkeeping system from recruitment to day-to-day, benefits, performance evaluation	Tier 1	4
Long-term Complex	Complete a re-write and update the City's zoning code a. Carefully structure zoning to prevent ill-fitting structures in areas that don't conform/aren't similar	Tier 2	5
Long-term Complex	Continued evaluation of our uptown area while also making progress improvements in other commercial outdoors - Higgins, Village Green, etc., put a fresh face on our City	Tier 2	6

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Category	Goal & Objective	Priority Level	Rank within Category
Long-term Complex	Develop strategies to adopt our operating model to adapt to changing conditions including outsourcing shared services, new models or fundamental change and execute on it a. Develop plans and strategies to adapt to our changing demographics – larger needs in some areas; smaller in others – particularly public safety but also review and prepare in other areas	Tier 2	7
Long-term Complex	Build a strong community service police culture dedicated, public trust, professionalism	Tier 2	8
Long-term Complex	Construct a parking deck in the uptown	Tier 2	9
Long-term Complex	Update the City's comprehensive plan/overall land use plan	Tier 2	10
Long-term Complex	Commit to exploring and then confirming our overall economic development strategy and policies – a. Explore professional position to represent the city, explore hiring and economic development officer; adjust our business model b. Install a business recruitment & retention program as part of our broader economic development strategy	Tier 2	11
Long-term Complex	Complete a city-wide facility upgrade and replace/repair as needed– (particularly City Hall, Police Department) to meet citizen expectations and modern workplace a. Have a new public safety facility completed	Tier 2	12
Long-term Complex	Explore/evaluate governing structure of the City, wards, at-large, numbers, positions, etc.	Tier 2	13
Long-term Complex	Evaluate continuation of local-only Police Department/evaluate options from County sub-contract or consolidation	Tier 2	14
Long-term Routine	Continue to build institutional knowledge, staff depth, skills and strategy on how to “evolve” the organization for the future a. Be willing to break or flex the model on how to serve the community b. Solidify a collaborative council - staff relationship – will achieve more through cultural shift!	Tier 1	1
Long-term Routine	Increase/enhance our financial stability - reduce TIF debt - prepare for any adverse impacts or changes due to State of Illinois factors	Tier 1	2
Long-term Routine	Strengthen our identity, uniqueness, branding, and gateways – a. Create a brand/signage/improvements to enhance awareness that you “now you’re in Park Ridge” b. Install better street lighting and street signage “identify at Park Ridge”	Tier 1	3
Long-term Routine	Explore integration of elements of Fire & Police Departments, and inspector and inspection services/work to establish cross-trained staff	Tier 1	4
Long-term Routine	Improve/resurface/reconstruct alleys in town and improve gravel alley	Tier 2	5