

DRAFT

Approved 6/4/02

**Village of Downers Grove
Finance & Administration Committee Meeting
Village Hall – Ante Room
May 21, 2002**

Commissioner McConnell called the meeting to order at 5:30 p.m.

Present: Commissioner McConnell, Commissioner Zabloudil, Mayor Krajewski, Village Manager Rick Ginex, Dave Van Vooren, Marty Lyons, Mike Baker

Absent: None

Commissioner McConnell said the minutes for the May 7, 2002 meeting were e-mailed to all those who attended the meeting. She asked if there were any additions or corrections to the minutes. Mr. Van Vooren said he made some non-substantive changes to the minutes and a corrected copy was distributed. The minutes for the May 7, 2002 meeting were approved as corrected and Ms. McConnell asked that they be published.

Budget Update:

State Legislative Activities: Mr. Lyons explained that the State of Illinois has decoupled from the federal income tax chain to avoid changes made to the federal tax laws concerning inheritance taxes and corporate depreciation. If the State had not decoupled, they would have lost approximately \$1.5 billion and the Village would have lost its share of \$165 million in State-wide funds, which would equal \$330,000. Although decoupling will not provide new money to the Village, it will enable the Village to remain in the same place they were a year ago.

Mr. Zabloudil asked about net affect of the decoupling. Mr. Lyons said the net affect is that the only thing that is on the table is a reduction in our share of State income tax from 1/10th to 1/11th, which will be a \$330,000 net loss to the Village and removing the photo finishing revenue, which would increase the net loss to approximately \$440,000.

Ms. McConnell noted that as far as we know, the photo finishing and state income tax are still pending. She added that the Village received a letter from Representative Patti Bellock recognizing and supporting our position. Ms. McConnell said it appears that the State Legislature will remain in session for a couple more weeks. Mr. Van Vooren said the Legislature must adopt a budget by July 1st, which is the beginning of the State's fiscal year.

Mr. Lyons said during June, he plans to prepare a written report for review by the Committee and recommendation to Council outlining measures to off-set the anticipated budget shortfall. Mr. Van Vooren added that this would give staff the opportunity to review the sales tax revenue from May, which hopefully will not continue the 12-13% decline experienced during the previous month.

Mr. Van Vooren said that currently there is no new information on Fry's or Comp USA. Although he believed that Comp USA would probably vacate their corner building sometime during June or July. However, he said he assumes that the move will result in a negative loss for the Village as he believes that Comp USA's sales may improve with their move to a more accessible location. Mr. Zabloudil agreed.

Mr. Zabloudil suggested removing Fry's from the contingency plan for this year as they will probably not open until next spring. Ms. McConnell agreed.

Mr. Ginex said Fry's is currently doing a plan review. Mr. Van Vooren said although everything has been approved by Code Enforcement; there is a problem with a check, which has delayed the demolition permits. He added that Fry's also must find a new contractor because their original contractor returned to Japan. Mr. Ginex said Fry's is considering options to increase their visibility from the roadway, which may result in a lengthy delay, as it would involve major changes to the site.

Mr. Lyons added that he believed that Aldi's was moving forward on the Ogden Avenue location. Mr. Van Vooren said Mr. Rockwell was also working with another possible revenue source; however, it would not take place in this fiscal year.

Mr. Lyons said there is still a projected cash flow crunch for this summer as the Village begins its summer projects. He noted that a \$130,000 storm sewer project is on the Council agenda tonight and the roadway and slurry projects were also approved. During the June, he suggested that the Committee review the proposed summer projects.

Ms. McConnell noted that although the Council is approving purchase of eight cars, only two would be purchased at this time.

Merit Increase Costs: Ms. McConnell observed that merit increase costs should equal budgeted costs. Mr. Lyons said there will be \$20-\$25,000 in costs involved in moving up employees who currently fall below range. Ms. McConnell asked if that would move the employees up to minimum. Mr. Lyons and Mr. Van Vooren replied yes. Mr. Lyons said the costs will be partially, if not totally offset, because the lower pay grades were below a 4% change. Mr. Lyons said we are right on budget.

Mr. Zabloudil asked for a comparison of the new and old pay ranges, the percentage of change and the merit increase costs. Mr. Van Vooren agreed. In addition, Mr. Van Vooren said he would provide a report on all employees, their ranking, their percentage raise, etc., illustrating which employees were considered exceptional and their rewards

and also how non-performing employees were penalized. Ms. McConnell noted that the Council would vote on salary ranges tonight and asked if the Committee was in agreement with the ranges as presented. They said they were.

Mr. Lyons asked if Ms. McConnell wanted him to give Council a copy of the pay plan, which shows actual to proposed, and the percentage differences, before they vote tonight. Ms. McConnell and Mr. Zabloudil replied yes. They said they did not feel it would affect the out come of the vote, but they would like to see it.

Ms. McConnell said she has received positive feedback and thanks from several staff members concerning changes to the pay ranges and process. Mr. Lyons said this plan was successful in recognizing employee performance, which was the goal.

Mr. Ginex said he too has received positive feedback. He added that in spite of current budget constraints, he felt raises should be distributed fairly to all employees.

Mr. Lyons said he received an inquiry from another community concerning the Village's merit increases and pay ranges. He explained that the Village is not giving any cost of living increases, only merit increases and pay range changes. He added that pay ranges did not all move the same amount and employees did not all receive the same amount through merit.

Health Plan Banking and Administrative/Financial Services Update: Mr. Lyons said he has researched interest rates, fees involved and whether or not the services were available at banks with which the Village already does business. He found there would be no fees involved, the interest rates are comparable, and one of our current banks could provide the service. He added that Ms. Loney had no objection to using one of our current banks, if the Village wishes to do so. However, Mr. Lyons said he did not feel there would be any savings in doing so. He noted the Village already uses several different banks for different activities, i.e. water billing, payroll, accounts payable, etc.

Ms. McConnell said if using Lake Forest Bank will enable Kramer Loney to administer the Village health plan more effectively, and if there are no negative consequences to the Village, she has no objection. Mr. Lyons said if the Village is not happy with the bank service, the account can be closed and another method will be found to accomplish this administrative task.

Mr. Zabloudil asked Mr. Lyons to prepare a report comparing the costs involved in having the health plan account at Lake Forest versus having it at Downers Grove National Bank. Mr. Lyons asked if he wished to see an interest comparison on a set balance in each bank and a transaction comparison in cost and the net difference. Ms. McConnell clarified they would like to see the total cost to the Village using each bank. Mr. Lyons said he would e-mail the information to the Committee. Ms. McConnell said in order to justify setting up the account at Lake Forest, it should be cost neutral to the

Village. She added that she would like to push Kramer Loney to make it cost neutral to the Village.

Ms. McConnell asked if the health plan financial services contract was to start May 1, 2002. Mr. Lyons said it would begin July 1, 2002.

CBD TIF Update: Mr. Lyons said he would like to establish a timeline to bring the CBD TIF to Council. He noted the TIF update is scheduled to be workshopped on June 25, 2002. Mr. Lyons said as the Committee has seen the Friedman numbers, the three schedules that were reviewed three months ago now need to be updated. Mr. Lyons said a timeline needs to be developed to update the schedules so they will be ready for the TIF Joint Review Board process. Following that there will be the zoning/land use process and the overlay on the deck construction process, including land acquisition.

Mr. Van Vooren asked if the Commissioners wanted staff to update the Friedman Report by adding assumptions that are based on what we are currently working on in the Land Use Task Force and based on what we know, i.e. Station Crossing. He added that staff has been reluctant to put the assumptions down on paper before the RFP process takes place because they do not want to limit downtown to a preconceived idea of what it will look like.

Mayor Krajewski asked if the current spreadsheet could be expanded to add projects, which may be considered in the future, and the range of associated costs. He acknowledged that the projects and costs would not be specific as the Village has not even begun the public input process. Mr. Van Vooren agreed and added that the land use has not been completed. Mayor Krajewski said there will be money available in the future although there is no way to know the exact amount.

Mr. Van Vooren said the vision of what the downtown is and what it will feed into the TIF can be done as a stand-alone document. However, in order to fund the deck and the infrastructure that we have already acquired and/or put in the ground, the TIF budget must be amended. Mr. Van Vooren said he wanted to establish a time line to amend the TIF budget. He explained that in order to amend the TIF budget, the Joint Review Board must conduct a public hearing, make a recommendation and present it to Council for a vote. Ms. McConnell asked if that must be done now.

Mr. Lyons said that would depend on the strategy that the Village intends to employ. He said thus far the Village has done \$18.7 million in bonds, and \$2-\$3 million in non-bonded debt expense, equaling approximately \$21 million. As the original budget was \$25.5 million, he said we can take up to approximately 5% a year in growth, which would bring the total to approximately \$29 million. He said that if the Village wants to do \$6-7 million in debt we can do the deck right now. Currently, he said CBD TIF fund is down to \$1 million, which is where it should be because most of the land acquisition is complete. Mr. Lyons added that there would be new bond money available for review of Desmond's construction engineering and stormwater.

Mr. Van Vooren said he, Mr. Ginex, Mr. Pabst, Mr. Lyons, and Mr. Skach have briefly discussed the timing and they would prefer to hold the Joint Review Board meeting during the summer. Mr. Lyons added that it will be more cost-effective to do so. He pointed out that even with associated fees, \$7 million in debt, at 1 ½% interest for 6 months would be \$200,000 to \$300,000. Therefore, he did not recommend borrowing the money any sooner than necessary. He said he felt it would be better to pay an extra \$40,000 in fees than to pay \$300,000 in interest.

Ms. McConnell asked if staff wanted to convene the Joint Review Board this summer, as it is already close to the end of May. Noting that it only takes one resolution from Council to convene the Board, Mr. Van Vooren and Mr. Lyons said staff was ready to move forward. Mr. Lyons said that an \$80 million budget has been put together which includes any expense that goes through our books even though it is fully funded from any source. Mr. Van Vooren said the legal description for the amended boundaries and the residential counts are complete. Thus, Mr. Lyons said in mid-June they would like to bring the new ordinance requesting the TIF budget amendment to Council and start the clock for the Joint Review Board process. He anticipated that within 45 days, the Joint Review Board recommendation could be presented to Council for a vote.

Mr. Van Vooren said staff is struggling to decide if all anticipated projects from today through completion of the TIF should be included or if the budget should be limited to those projects that we are aware of today and then amended again in five years. The budget for only the projects that we are aware of at this time would be considerably less than the budget for projects through completion of the TIF (\$26 million versus \$80 million).

Ms. McConnell and Mr. Zabloudil said they felt it would be too difficult to budget for unspecified future projects. Mr. Zabloudil said he felt the budget should include only the projects we are aware of at this time and that we should plan to amend it again in five years. Ms. McConnell and the Committee members agreed.

Mr. Lyons and Mr. Van Vooren said they would proceed with the CBD TIF budget update.

Fund Balance Policy Discussion: Mr. Lyons asked if the Committee wanted a fund balance policy that addresses all of our funds as suggested in Ms. Steele's report and if they wanted to include specific pre-set fund balances. Mr. Lyons pointed out that the more restrictive the policy is written, the less flexibility the Manager and Council will have. Mr. Lyons said he would prefer to keep the policy as general as possible to allow the Manager and Council more flexibility.

Mr. Zabloudil agreed that the Committee's goals should not be formally included in the policy. Rather, he said he felt the goals were to act as a target for the Committee. Mr. Zabloudil said he feels they should adopt a policy which is as flexible as possible after

meeting legal requirements. Mr. Van Vooren clarified that the Village will have an official policy, which is a little more vague and an operational document or procedure that is more defined. Mr. Van Vooren noted that the Manager can modify the procedure if necessary.

Ms. McConnell asked if there was any further discussion. Hearing none, she adjourned the meeting at 6:07 p.m. to go into Executive Session to discuss employee compensation and evaluation.