

Approved 5.21.02

Village of Downers Grove Finance & Administration Committee Meeting Village Hall – Ante Room May 7, 2002

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

Present: Commissioner McConnell, Commissioner Zabloudil, Village Manager Rick Ginex, David Van Vooren, Marty Lyons, Greg Zimmerman, Trisha Steele, Mike Baker

Absent: None

Commissioner McConnell said she would like to discuss changes concerning the Village's health plan consultant, Kramer Loney. She noted that the Village is considering changing the bank account used for the Village health plan. She asked the reason for changing banks and the benefits and costs involved in doing so.

Mr. Lyons said Kramer Loney asked the Village to consider moving their health plan account to a bank with which Kramer Loney already has similar accounts which was Lake Forest Bank and Trust. The benefits, according to Ms. Loney, would be that the bank is already familiar with the process, does not charge a fee, and provides a higher-than-basic-checking-account rate of interest on funds left overnight. Mr. Lyons said Ms. Loney would provide him with the specifics when she has them. In addition, Mr. Lyons said he would like Ms. Loney to document the above benefits in using Lake Forest because it is his understanding that the account will behave as a sweep account: anything left in the account overnight is swept into a higher earning instrument. Mr. Lyons said his goal is to have any money left in the account overnight earn a competitive rate of interest. Mr. Lyons said Kramer Loney cited using a bank in close physical proximity to them as one of the reasons that they are able to offer the service to the Village at the price they quoted.

Commissioner McConnell questioned the value of Kramer Loney being in close physical proximity to the bank. However, she acknowledged the advantage of dealing with a bank that knows the process and is able to do the reconciliation. Commissioner McConnell said if changing the bank account does not cost the Village more money or more loss of control than they expected, and if it will provide the Village with the desired report, then there is probably some merit in allowing Kramer Loney to use a bank that is already set up for the process. However, in doing so, she said she would expect them deliver a higher level of performance than they have thus far. She added that we must be sure of the specifics before we make a commitment. Mr. Lyons agreed.

Mr. Lyons said he asked Ms. Loney to provide the interest rate for the last month for one of her current accounts. He said he would compare the interest rate she provided with the interest rate paid on one of our own bank accounts.

Commissioner Zabloudil said he can appreciate that it is easier for Kramer Loney to work with Lake Forest because they are already set up to do so; however, he suggested that the Village explore the capabilities of the banks with which we already have a working relationship.

Because it appears that Kramer Loney is anxious to do business with the Village, Mr. Lyons said he feels that if the Village declines to work through Lake Forest, they would be willing to work through a branch of Northern Trust. Mr. Lyons said if the arrangement with Lake Forest does not work out, the Village has other options.

Mr. Lyons said the initial goal was to change banks on May 1st, however, rather than rush the process, Ms. Loney suggested changing banks on July 1st instead. He explained that during May and June, payments will be processed the same way that they have been for the last five years: the accounting department will do daily overnight wires to Humana. Ms. Loney told Mr. Lyons that she has already transmitted those instructions to Humana. Mr. Lyons said he wished to avoid creating situations in which physicians would be calling employees about unpaid bills. Commissioner McConnell added that the Village must also be sure that they will not lose the discounts they have with Humana.

Commissioner McConnell asked if the effective date of the Village's financial administrative agreement with Kramer Loney would also be postponed until July. Mr. Lyons said he would confirm that with Ms. Loney. Commissioner McConnell said she wanted to be sure the Village was not be paying a monthly fee for two months of set up work.

Mr. Greg Zimmerman, Director of Human Resources, said these details would all be clarified on May 29th when the Village meets with Katherine Loney. Mr. Zimmerman said another advantage of the service is use of their accounting system, which has discovered large amounts of money through the reconciliation process. Commissioner McConnell asked if the Village's choice of a bank would affect the reconciliation process. Mr. Zimmerman replied no.

Mr. Van Vooren agreed that the choice of a bank does not affect reconciliation of canceled checks and invoices. He said that reconciliation of overpayments is a function of the plan document and the choice of a bank is a secondary feature.

Mr. Lyons asked Ms. Steele to update the banking resolution to include Lake Forest. He added that listing a bank in the depository institution resolution does not require the Village to use it.

Commissioner McConnell asked if the Village has ever used a zero balance account instead of a sweep account for the health plan account and if there would be any advantage to looking into it. Mr. Lyons said he has not used a zero balance account for the health plan account. He added that he views the two types of accounts as basically the same because at the end of the day any money in a zero balance account is swept into an interest bearing account. Commissioner McConnell pointed out that with a zero balance account, the money remains in our account until the checks actually come through for payment. At the end of the day the bank will call and tell the Village the amount that needs to be deposited to cover the checks that came through for payment that day.

Mr. Lyons said Lake Forest Bank has offered to waive the usual banking fees if the Village agrees to keep enough money in the account to cover the current month's expected claims and an extra month's claims. Mr. Lyons said he would compare the two types of accounts, interest rates and associated fees before making a decision. Mr. Lyons said if the Village decides to use a zero balance account, he would probably look into setting it up at Downers Grove National Bank because it could be coordinated with other accounts the Village already has at D.G. National.

Mr. Zimmerman said the Village was notified that Kramer Loney was changed over to a company called GCG Incorporated. He added that there should be no change to the services provided, it is merely a name change. Mr. Lyons said Ms. Loney has agreed to provide the Village with a letter, which she and the Village will sign, stating that the original agreement remains in effect in total.

Commissioner McConnell asked that Acting Village Attorney Enza Petrarca review the letter and agreement to ensure that the terms of the agreement will be honored. Mr. Lyons said he would request GCG's financials and Mr. Van Vooren suggested that the Village obtain a list of references from GCG. Commissioner McConnell said that she feels it is important to verify that GCG understands that they have a contract with the Village and that they can and will continue to honor it.

Ms. Steele clarified that the depository institution resolution and the pledge agreement would be workshopped on May 14th and presented to Council on May 21st.

The Committee approved the minutes from the January 15, 2002, February 2, 2002, February 5, 2002 and April 16, 2002 meetings as presented. Commissioner McConnell said the minutes would be forwarded to the Village Clerk.

State Revenue Legislative Update: After conferring with State Representative Patti Bellock's office, Mr. Ginex confirmed that the Illinois State Comptroller has frozen all member initiative money from the State until further notice. He said the Village had anticipated receipt of \$541,000 in grant money for initiatives from the State, including \$100,000+ for two fire rescue dogs, \$200,000 from Senator Walsh for the parking deck in the Capital Projects Fund, \$104,000 for Live Scan, \$80,000 for Fire Rescue, and \$90,000

for a squad. Mr. Ginex said if the process has not been started on these projects, the money will not be distributed.

Mr. Ginex said that this evening the Council would consider a resolution protesting the possible loss of revenue from photo finishing and State income tax. This loss is anticipated to be approximately \$330,000 from the State income tax and \$112,500 from photo finishing. The following cost-cutting options have been suggested to off-set the anticipated loss of revenue: freezing some open positions and reducing overtime, freezing all the equipment replacement and delaying vehicle and other purchases, reducing merit pool and salary adjustments, deferring new sidewalks, holding up the opening of Station 4, and the CAD, etc. Mr. Van Vooren added that although he suggested many cost-cutting options for consideration, he was not necessarily recommending that they all be implemented.

Commissioner Zabloudil said perhaps the Village could make compromises in the capital fund, i.e. reducing the amount of new sidewalk construction and going with Live Scan, etc.

Mr. Ginex said decisions concerning the State budget will probably be made within the next few weeks as the State Legislature is scheduled to adjourn on May 17th. Mr. Ginex said if the State withholds the money that the Village traditionally receives from State income tax and photo finishing, in addition to the losses from Fry's delayed opening, the Village will need to find \$580,000 in addition to the \$541,000 in member initiative money, which has been frozen.

Mr. Lyons said he feels these potential revenue losses should be addressed sooner rather than later because we have already made commitments to have the general fund help with the cash flow crunch in capital. Commissioner Zabloudil agreed.

Commissioner McConnell said she did not feel that the Village should expect any funding from member initiatives this year. She suggested that the Village review those items affected and decide if they wish to replace them and if so, how they can be funded.

Mr. Van Vooren said there is about \$1.1 million in potential revenue that may not be received, which represents approximately 3% of the Village's \$36 million budget. Mr. Lyons added that by the end of the 2001-02 fiscal year the Village will be close to a \$3 million deficit in expected revenues and \$1 million or more below budgeted expenses. Although, there are capital expenditures that can be cut, Mr. Lyons said he believes that there must be some cuts in operations as well, due to the unknown length of the current economic downturn. Commissioner Zabloudil agreed that cuts must come from both areas.

Mr. Van Vooren noted that further cuts in the general fund will be "people-related" as there are no projects left in the general fund that are large enough to off-set the projected deficit. For example, Mr. Van Vooren said currently there are two CAD proposals in the general fund, one, to purchase new equipment for every officer and the second, to

purchase new equipment for the cars. There is a \$150,000 difference between the two proposals. Mr. Van Vooren said he did not want to abandon the CAD project when the Police Department, Fire Department and VOC, were now working as a cohesive unit on this issue.

Commissioner Zabloudil agreed. He suggested that perhaps equipping the cars would be sufficient. Commissioner McConnell agreed and added that when money becomes available, perhaps the Village could expand the program and add equipment.

Commissioner McConnell said she feels the Village must decide which cuts will be the least painful and she asked how the revenue shortfalls should be addressed. Mr. Van Vooren said until the budget issue is resolved in Springfield (which he believes will occur within the next thirty days) there will not be anything new. He said that will give the Village time to review the items on the table, as well as other items, and decide which should be eliminated and which should proceed under any circumstances.

Mr. Van Vooren said the Village is in the process of hiring to fill vacant positions. He suggested that Mr. Ginex and he discuss the open positions and decide which can wait and which need to be filled now. Regarding capital projects, he noted that the Village is in the process of bidding the sidewalks. He suggested that the Village continue with the bid process and determine the costs involved, then decide whether or not to proceed based on the available funds.

Commissioner Zabloudil said other projects in the capital fund should be reviewed to determine if any can be deferred.

Mr. Ginex said Stan Balicki is coming in next week with vehicle bids. Mr. Lyons advised Mr. Balicki of the fund balance, and explained that no additional funds will be available. Thus, if there is no money in the equipment replacement fund, no vehicles can be purchased. He said Mr. Balicki was disappointed because he had hoped to purchase four trucks as part of the snow fleet at this time. However, Mr. Lyons explained that there are no funds available for the truck unless other vehicle purchases are deferred. Commissioner Zabloudil agreed that this is the type of thing that needs to be identified.

Commissioner McConnell said that hopefully the State Legislature will make a decision on the budget within the next month. In the interim, Mr. Ginex, Mr. Van Vooren and the Budget Team will review the capital and the operating budgets and determine where cuts can to be made. Mr. Ginex agreed and said they will be looking to cut \$580,000. Mr. Van Vooren said in reviewing the budget they will evaluate which projects should be kept and which should be cut. Mr. Van Vooren added that there are also revenue options that can be explored.

Mr. Van Vooren said he feels it is important for the Council and staff to decide on the level of service that they want the Village to provide. He said if the Village implements cuts involving a reduction in personnel, the directors must understand that they are also to reduce the level of services. Mr. Van Vooren noted that the budget as approved had

already reduced services to a bare-bones level. He asked if the Council was prepared to accept another 3%-4% reduction in the level of services. However, if the Village wishes to maintain the level of service in the budget, revenue should be raised to provide for it. Mr. Van Vooren said reports have indicated that the Village is on the low side with regard to property taxes and other discretionary revenue.

Commissioner Zabloudil requested a list of possible additional revenue sources and a list of proposed cuts for comparison. Mr. Lyons said a report can be prepared while the State Legislature is considering the budget.

Mr. Van Vooren added that there are a number of key positions, which are vacant, or about to become vacant, which he and Mr. Ginex and the Budget Team will have to discuss. They will report back to the Council on how critical these positions are. Mr. Lyons said issues of productivity and allocation of personnel and equipment should also be explored. Commissioner McConnell agreed.

Commissioner McConnell said they will wait to hear from the State. When Mr. Ginex and Mr. Van Vooren and the Budget Team have reviewed the budget and made a list of possible cuts and revenue sources, she asked that they report back to the Finance Committee. Mr. Ginex said he will tell the Directors tomorrow that we will be considering possible cuts.

Regarding collection of new revenue process, Mr. Lyons said the Fire Department is proceeding with a sample ordinance/resolution for new fees; and Mr. Van Vooren is proceeding with business licensing. In May, June and July, staff will present resolutions to Council concerning Village fees. Mr. Lyons said new fees should be in place during the first quarter. He added that the telecommunications tax was done before the first quarter, however, most new fees were not set to begin until July 1st. Commissioner McConnell asked if the anticipated new revenue was included in the budget. Mr. Lyons replied yes.

Commissioner McConnell said she would like the resolutions completed in the early part of June so that the Village can notify businesses and others affected by the fee changes. She asked Mr. Lyons if there were any problems or if he needed any help to ensure that the resolutions would be done one time. Mr. Lyons said he would explain the situation to the directors tomorrow and let them know that they can help their own situation by completing the necessary resolutions and/or ordinances.

Mr. Lyons said the telecommunications audit is in progress. He has received 25 responses out of 200 and was getting good compliance; however, soon after the audit began, the State announced that they were taking over the telecommunications. Mr. Lyons said he would continue with the audit. Commissioner McConnell asked if the State take over will impact the revenue the Village will receive. Mr. Lyons said the State will probably take 5% as an administrative fee. Commissioner Zabloudil mentioned the possibility of a surcharge to off set the administrative fee.

Regarding collection of unpaid revenue process, Mr. Lyons said he has met with the ambulance providers concerning collections. He asked the Committee if they want all unpaid ambulance fee bills taken to collection. Currently, bills and two to three follow up notices are sent to residents and non-residents for ambulance fees. If the bills remain unpaid, only non-resident bills are sent to collection. Commissioners Zabloudil and McConnell agreed to continue this practice for a few months and then re-evaluate the process.

Mr. Lyons distributed the draft Cash Flow Analysis for Capital, which he and Jane Gerdes prepared. He asked the Committee to review it for discussion at the next meeting.

Mr. Lyons said discussion of the TIF Update would be postponed until the next meeting.

The meeting was adjourned at 6:30 p.m.