

Approved 12/17/02

Village of Downers Grove Finance & Administration Committee Meeting Village Hall – Village Manager's Office November 5, 2002

Commissioner Zabloudil called the meeting to order at 5:05 p.m.

Present: Mayor Krajewski, Commissioner McConnell, Commissioner Zabloudil, Commissioner Schnell, Village Manager Ginex, Dave Van Vooren, Trisha Steele, Mike Baker

Others

Present: Michael Collins, Jeff Paul, Bret Mowery, Bob Tutko, Greg Zimmerman

Items for Discussion:

- Goal and Objective Process for Staff – Update
- Tuition Reimbursement Issue – Update
- Foreign Fire Insurance
- Revenues/ Tax Levy
- Budget Calendar Update
- BFI Contract Extension

Goal and Objective Process for Staff – Update

Mr. Greg Zimmerman, Director of Human Resources, said this is the mid-point on the performance/appraisal timeframe. He said that at the last staff meeting all directors were advised that this is the halfway point in the process and they were asked to review the performance appraisals for those individuals who scored less than 3.0. Mr. Zimmerman said he also suggested that directors review those individuals who have exceeded the standard to encourage them to continue their efforts.

Commissioner McConnell asked if a score of 3.0 is the expected standard. Mr. Zimmerman replied yes. He added that although it is the expected standard, the score also indicates a job well done.

Mr. Zimmerman continued that a discussion with the employee at the mid-point gives them an opportunity to correct any performance shortfalls. Previously the Village conducted formal mid-year reviews for everyone; however, Mr. Zimmerman said it was decided that employees who were doing well just needed a little encouragement to continue, whereas those performing a substandard levels need to be reviewed.

Mr. Zimmerman distributed the projected timeframe for the next performance appraisal. He said self-evaluations and evaluations by directors would take place in March 2003. He added that the Appraisal Review Team reviews all appraisals before any action is taken with an employee. Commissioner McConnell asked who makes up the Appraisal Team. Mr. Zimmerman said the team consists of the Village Manager, Deputy Manager of Operations, Deputy Manager of Administration and the Director of Human Resources.

Commissioner Zabloudil said along with the appraisal process, it is important to get an update so the process will be in place when setting the goals and objectives. Mr. Zimmerman agreed. He added that in February he would be conducting sessions for supervisors on the appraisal process and the goals could be discussed at that time.

Commissioner McConnell asked what percentage of Village employees received a performance rating of less than 3.0. Mr. Zimmerman said less than 5%. Commissioner McConnell said she thought it would be interesting to track the employees who score less than 3.0 and see what happens to them over time. Mr. Zimmerman agreed. Commissioner Zabloudil said it is helpful to get feedback on employee performance twice a year. Commissioner McConnell agreed.

Tuition Reimbursement

Mr. Zimmerman said the objective of the Tuition Reimbursement Program has been to foster and encourage employees to take advantage of this benefit. Mr. Zimmerman said the program keeps employees updated and serves as a means of self-development for the Village. The Village has also encouraged use of this program through promotions. Mr. Zimmerman said employees who wished to be promoted have been encouraged to look at the educational components.

Mr. Zimmerman referred to the Administrative Regulation concerning the tuition reimbursement program. He pointed out that the regulation states "Budget approval shall be based on the total funds available for tuition reimbursement within the respective departments and the number of educational assistance requests received." Mr. Zimmerman said employees must apply in advance so the department is aware of the requests when going through the budget process. He added that approvals are dependent upon the availability of funds. Mr. Zimmerman said the regulation applies to the Village non-union employees.

Mr. Zimmerman pointed out that each bargaining contract contains different language governing tuition reimbursement. The next bargaining sessions with each union will take place in about a year and he suggested that differences in the contract language concerning tuition reimbursement should be addressed at that time so that both contracts will contain the same language. Mr. Zimmerman said the Firefighters contract states that "advance approval of the Fire Chief or his designee, Director of Human Resources and Village Manager is required as a condition of payment of benefits under the program."

Commissioner Zabloudil asked Deputy Fire Chief Bob Tutko the number of Fire Department employee enrolled in tuition reimbursement programs. Deputy Chief Tutko estimated that approximately 6 or 7 individuals are enrolled at this time. He added that more people are taking advantage of the program than did in the past. Commissioner Zabloudil asked if these were non-work related courses. Deputy Chief Tutko replied yes. Commissioner McConnell clarified that this program is for continuing education rather than training. Deputy Chief Tutko added that some employees have received scholarships and other forms of tuition assistance.

On the Police side there has been a large increase in enrollment in the tuition reimbursement program. Of 84 officers, 15 or 20 may be attending some type of school. Commissioners Zabloudil and McConnell expressed their pleasure and said the Department should be applauded for encouraging enrollment in continuing education. Mr. Zimmerman added that the Village has one of the more outstanding tuition reimbursement programs.

Mr. Zimmerman advised equalizing the language in both contracts so that everyone will be "on the same page". In conclusion he said that at the Council's direction, the Village has always funded the program for the benefit of the employees.

Ms. Steele explained that the Tuition Reimbursement program became an issue during the budget cutting process because one of the areas targeted was education benefits. She said at that time staff was not aware that the Village had contractual obligations to meet certain educational requests in one group and not in the other group. Ms. Steele said that at this point all staff members are not receiving the same treatment with regard to tuition reimbursement. Mr. Zimmerman clarified that tuition reimbursement for non-union Village employees is based on the grade the individual earns in the class; whereas under the terms of the union contracts reimbursement is made if the individual passes the class.

Commissioner McConnell asked Ms. Steele if in revising the budget, money was taken out for people who were expecting to receive tuition reimbursement. Ms. Steele replied yes. Village Manager Ginex explained that the budget was revised based on the amount of actual reimbursements that were made last year. Ms. Steele added that departments were returned to the level of funding that they had last year.

Commissioner McConnell said she thought staff had matched the amount budgeted to the amount of approved tuition reimbursement requests. She asked if the fund is mismatched at this point. Ms. Steele replied yes. Ms. Steele said there was no accurate way to track the approved requests as they were filed in individual personnel files. Commissioner McConnell and Commissioner Zabloudil said the Village needs to develop a master file for all approved tuition reimbursement requests.

Commissioner McConnell asked if staff has numbers showing the discrepancy between the amount budgeted and the amount of approved requests for the current year. Mr. Van Vooren replied no. Mr. Van Vooren said the obligation is that the Village will honor every request that has been submitted and authorized. Mr. Van Vooren said if that

obligation results in the line item going over budget, the department would have to find the money in another area or talk with the Village Manager to resolve the shortfall. Mr. Van Vooren repeated that the Village would not deny any request that has been executed.

Commissioner McConnell said we need a process in place to track tuition reimbursement requests. Mr. Van Vooren said the Human Resource Department would be responsible for maintaining a log of all requests.

Commissioner McConnell asked about an IRS-related issue that was brought to the Committee by Marty Lyons, former Director of Finance and Administration, last July. Mr. Zimmerman said tuition reimbursement used to be taxed at \$4,000 now it is up to \$5,200. Since the Village only reimburses up to \$4,500, Mr. Zimmerman said the Village would be under the bar.

Foreign Fire Insurance

Members of the Downers Grove Foreign Fire Insurance (2%) Board introduced themselves: firefighter Michael Collins, President; firefighter/paramedic Jeff Paul, Treasurer; and firefighter/paramedic Bret Mowery, Secretary. Deputy Chief Bob Tutko said he was representing Chief Ruscetti who is out of town. Mr. Collins said that currently elections are being held to fill a vacancy on the Board due to a resignation.

Ms. Steele said the auditor, Miller Cooper & Co. Ltd., recommended in its Management Letter to the Village that the Accounting Department provide accounting services for the Foreign Fire Insurance Board as they do for the Library. However, the Foreign Fire Insurance Board wished to address the concerns of the auditors and maintain control of the cash, cash processing and reporting. Ms. Steele said she and Mr. Collins have worked out some issues related to internal control and they drafted a budget, with a balance policy; an approval process etc. In addition she said they would work on a plan for disposition of equipment that will not benefit employees, which is in line with how the Village has to behave.

Ms. Steele said she and Mr. Collins were working on a draft purchasing policy, reporting requirements, a monthly plan for inputting information into the Village's accounting system and reconciling it with their particular book. Ms. Steele said after reviewing the rules, it was determined that the Board can not have their own Tax ID & B so they can not be independent as the SSA is. She said the Village can't just give them the money and pay no attention to what happens to it because the Foreign Fire Insurance is included in the Village audit.

Ms. Steele said the Board members have talked to Mr. Dennis Burke, Risk Manager, about having the treasurer bonded, which is possible. Currently the Board is formulating a policy, which must be presented to and approved by the Village Council. Ms. Steele recommended letting the Foreign Fire Insurance Board proceed with their plan as she believes that they have made a good faith effort to meet the requirements.

Commissioner Zabloudil asked Ms. Steele if she had discussed the matter with the auditors and if she knew the reasons behind their recommendation. Ms. Steele prefaced her response by saying that these are new members of the Foreign Fire Insurance Board and they are addressing the issues differently. They were not here at the time and they acknowledge that there were some bookkeeping difficulties. Ms. Steele said that when the auditor did the fieldwork, the checks were not available, the check bank reconciliations were not available, copies of the invoices were not available. A lot of little pieces were not there and that is why they have addressed all these internal issues.

Commissioner Zabloudil asked if the plan being developed by the current Foreign Fire Insurance Board addresses all the issues that the auditors questioned. Ms. Steele said she believes that it does. She added that they still need to have a written policy that according to Code needs to go before the Council. She said she believes that will be ready soon. Ms. Steele requested that the Committee give the Foreign Fire Insurance Board a second chance.

Commissioner Zabloudil asked if these funds were audited last year. Ms. Steele said at the time of last year's audit the Foreign Fire Insurance Board did not have control of the funds; however, sometime during last year control of the funds was given to the Board. Ms. Steele said this was a transitional year and the policy was not in place before the cash was transferred.

Commissioner McConnell noted that the auditors asked if we were in compliance with the law. She said she would like Ms. Petrarca to review the Board's plan for compliance with all legal requirements. Ms. Steele said that the policy drafted by the Foreign Fire Insurance Board must be submitted to the Council as an ordinance. When the Board writes up their fiscal plan it will go through the normal review process before it is presented to the Village Council. Ms. Steele said it might take a month or six weeks before the fiscal plan is placed on the Council Agenda and in the interim she asked that the Board be allowed to proceed. She said she froze the funds until the Board could present their plan to the Finance Committee and request authorization to go forward.

Mr. Collins said he made some revisions to Foreign Fire Insurance Board packet per his conversation with Ms. Steele. Mr. Collins reviewed the contents of the packet. He noted that the Rules and Regulations, which were previously approved by the Village Council, have been revised concerning disposition of equipment. He said the revised Rules and Regulations would be submitted to the Village Council for approval, once the Board has voted on them.

Mr. Collins said he also made a few changes on the accounting program. He said although he and Ms. Steele had discussed having a Fire Department employee make the SCI entries for the Foreign Fire Insurance Board, the Board's treasurer said he would prefer to make the SCI entries. Mr. Collins said they plan to keep their own accounting software and also make entries in SCI. In that way the SCI print out can be compared to the data from the Board's accounting system to make sure everything balances out.

Commissioner Zabloudil asked which accounting software the Board is using. Mr. Collins said they use Microsoft Money. Commissioner Zabloudil said that is fine. He said it appears that the Village did not have a well thought out plan to govern the Foreign Fire Insurance Fees and the auditors picked up on it, which is what they are supposed to do. Commissioner Zabloudil said he does not object to letting the Board handle the accounting as long as they have a process in place to do so. However, if the Board follows the process and there are problems with next year's audit, then Commissioner Zabloudil said the Village should reconsider letting them handle the accounting.

Commissioner Zabloudil asked why the Village originally relinquished control of the accounting to the Board. Ms. Steele said the Code is very difficult to understand. Commissioner Zabloudil said he felt Ms. Petrarca's interpretation would help the Council to be sure that the plan meets the legal requirements.

Commissioner Zabloudil asked how much money is received in the Foreign Fire Insurance Tax fees. Mr. Collins said approximately \$36,000 to \$40,000 per year plus interest.

Commissioner Zabloudil asked if other fire departments manage the fund themselves as the Downers Grove Fire Department does. Mr. Collins said it varies. He added that the Village Council has put restrictions on management of the funds that most other fire departments do not have. Mr. Collins said he feels the proposed plan will work for them. He said when management of the Foreign Fire Insurance Tax was first turned over to the Fire Department, the no one took the time to work out a process. Commissioner Zabloudil agreed.

Commissioner McConnell said she would like Ms. Petrarca to look over the proposed plan and let the Committee know if she feels it is okay to go forward with the interim process. If Ms. Petrarca gives her approval, Commissioner McConnell said she has no objection. Ms. Steele said she would discuss the matter with Ms. Petrarca.

Mr. Collins said that according to last year's budget, some preplanned expenditures are being made with use of \$29,000 of the contingency money. Mr. Collins said if the plan is not approved soon, they may be in default on some outstanding bills, i.e. contract issues, magazines, newspapers, radio support, etc.

Ms. Steele said she will discuss the plan with Ms. Petrarca and it will come to the Council as an ordinance. Commissioner McConnell said she would like an interim answer from Ms. Petrarca. If Ms. Petrarca is comfortable with it, Commissioner McConnell said she feels they should move forward while the details are being worked out. Mr. Collins said it might be a couple of weeks before the Foreign Fire Insurance Board votes on the plan and some things need to be taken care of in the interim. Commissioner McConnell said if Ms. Petrarca finds that the draft plan is okay, then it can be used as the interim process and the Board can use the funds to pay the bills.

Mr. Collins said he believes they have complied with all of Ms. Steele's requests, except for the current budget.

The Committee thanked Mr. Collins and the other members of the Foreign Fire Insurance Board for their presentation.

Revenue/Tax Levy

Mr. Van Vooren said he wanted to begin the process of evaluating the Village revenue and put forth a tax levy timeframe for the publication of certain notices. In dealing with the tax levy, there are several items driving the decision making process. One is the deadline for the adoption of the tax levy, which is by the end of the 4th Thursday in December. He said based on the Village meeting schedules, our tax levy would be adopted on December 17th, unless the Council holds a separate and/or special meeting, which he does not anticipate.

In order to deal with the tax levy, the Village must have a public hearing on the proposed tax levy. In the past the public hearing occurred the same day as the tax levy. Mr. Van Vooren said he felt it seems to be confusing to residents to conduct a public hearing at 6:30 p.m., hear comments with regard to something and at 6:35p.m. adopt an ordinance based upon the comments made that same evening. Mr. Van Vooren suggested having the public hearing on the tax levy at the first Council meeting in December and passing the ordinance on December 17th. Mr. Van Vooren said that would give the Council an opportunity to hear from the public, think about the comments, discuss the matter with staff and make recommendations one way or the other. If the tax levy is changed after the public hearing, it may require a second public notice, but it does not require a second public hearing.

Mr. Van Vooren said the last component is the publication of a truth in taxation notice, which is driven by the fact that the levy exceeds 105% of last year's extensions. Mr. Van Vooren said he has made some assumptions and if the dollar amount of the levy was the same as last year's levy, with the inclusion of the recommendations from the two pension funds as they sit today, the total Village levy would go up 6% or would be 106% of extensions, requiring the public notice. If it is below 105% there is no public notice required. Mr. Van Vooren said the public notice needs to be published no sooner than 7 days and no later than 14 days in advance of the public hearing. If there is no public notice, the public hearing is still required with regard to the tax levy. Mr. Van Vooren explained that if the levy exceeds 105% after the public hearing without a notice, the Village would have to go back and have a public notice and a public hearing with regard to the levy and proceed forward again because the Village notify residents that they intend to raise their taxes above 105%.

Mr. Van Vooren said the economic situation that we have dealt with in the last 12 to 18 months has not provided a positive basis for our economy driven revenues, i.e. income tax, sales tax and telecommunication tax. Mr. Van Vooren said that is driving some of the revenue issues discussed in his memo to Commissioners Zabloudil and McConnell.

In addition, Mr. Van Vooren said several projects were eliminated or delayed until the next fiscal year, and reinstatement of certain expenses is discussed on page two of the memo. Mr. Van Vooren said he is trying to get an understanding of the Council's position regarding the tax levy itself.

Mayor Krajewski asked for clarification of the 105%. Mr. Van Vooren said the 105% is as compared to last year's extensions. Mayor Krajewski asked what happens when new properties are brought into the Village, such as the 300 homes at 63rd and Fairview. He asked for clarification of the term "extension". Mr. Van Vooren said last years' extension after the filed abatements totaled \$7,769,000 and if the Village exceeds 105% of that amount, the Village needs to publish the notice. Mr. Van Vooren clarified that it is not a rate extension, it is a dollar extension.

Mayor Krajewski asked if the changes to the Police and Fire levy would push us ~~under~~ **over** the 105%. Mr. Van Vooren said he used the numbers provided by the Police and Fire Pension, if the numbers change he will see what the recalculation is. Mr. Van Vooren said the biggest change has been the 39% increase in the Police pension levy. If the numbers decrease by approximately \$75,000, it would bring the Village to approximately 105%. Mayor Krajewski said it is pretty safe to say that Police and Fire will go down. Village Manager Ginex said he should have new numbers for the Police Pension by the end of the week. He added that he just received the numbers from the Fire Pension and he wanted Deputy Chief Tutko to review and confirm them because there are some discrepancies in some of the salaries.

Ms. Steele said historically the Village has always published a public notice. Mayor Krajewski agreed and said that the Village would publish a public notice. Mr. Van Vooren said the public notice has certain publication guidelines concerning borders, etc. Mr. Van Vooren said a public notice can be published even if taxes are extended at 101%. Ms. Steele commented that the Village has published a public notice when taxes were lowered.

Mr. Van Vooren said there are some variances in all of our economy-based revenues. However, one revenue stream that has no variance is what the Village levies on a property tax related issue. He said it will be extremely difficult to balance the budget with the expected revenues without some indication as to the Council's desire to either further reduce services in certain areas and/or assist us in generating additional revenue.

Mr. Van Vooren said the budget has taken another \$1 million hit in the budget amendment. On May 1st, the Village will need at least \$1.25 or \$1.5 million of added revenue just to keep things equal, just to compensate our employees with the benefits that they will have coming due on May 1st.

Commissioner McConnell asked if that is using the 4%. Mr. Van Vooren said that is using the contract dollars plus a 4% merit pool and the associated health insurance costs that are going to go up and the associated liability and worker comp costs that are going

to go up. Mr. Van Vooren said he still sees a need to continue to reduce services to a certain level or find an alternate revenue source to assist us to balance the budget.

Mr. Van Vooren said our best projection today is that the Village will end this fiscal year still drawing from fund reserves in the General Fund in the amount of \$2 million. There is a \$2.3 million dollar deficit at this time. Mr. Van Vooren said if he has to put back \$1 million that we have cut out and he has a \$2 million deficit and he has another \$1.5 million to add on for employee growth, it will be a \$4.5 million slump.

Commissioner Schnell asked if the Village is down \$1 million in utility taxes because the State is not getting it to us. Mr. Van Vooren replied no. He explained that this is still our money. He said he does not know why we are down, other than collections are significantly down. The new rate increase went into effect in July and we now seeing some of those dollars come forward because it was August before that month closed and the receipts started coming in in September and that was a 3 ½ to 4 ½ % change. We have not seen all of that revenue come through. Mr. Van Vooren said there is a significant decrease and there is a chart that specifically depicts income from the telecommunication tax on a monthly basis. Mr. Van Vooren said that personally, he believes that the decrease is due to two things: first, he believes that we are probably down 10,000 jobs in Downers Grove and each one of those jobs came with a telephone, which is no longer in use. Secondly, all of the major new offices that have been built are most likely using voice over IP as their data communications, meaning there are no more local calls. They are using the Internet to make telephone calls. Mr. Van Vooren said he believes most people are using their cell phones on a fixed rate to make telephone calls, so there is less activity. That is why the swing in the telecommunications tax is so large. He said he believes it will continue to be eroded by those technological changes and it will less consistent as a revenue stream.

Commissioner Schnell said it is important to understand why the decrease is happening. Mr. Van Vooren agreed. He said if he is asked where the revenue should be extracted to help assist us to provide services, telecommunications is not at the limit, electric is not at the limit, gas is not at the limit. He said electric and gas are pretty consistent year after year, the only deviation was the time gas went sky high for the demand and we saw a windfall in revenue. He said electric has been pretty consistent month after month. Telecommunication has wide swings on the variances. Sales tax has the economy-based swings. Mr. Van Vooren said there are revenue sources that we can tap. We can tap all of those to a higher degree, if the Council wishes to pursue it. Mr. Van Vooren said we could raise the property tax, which we know is stable. What we levy we will get. He said that is the only guarantee. Mr. Van Vooren said we can do a home rule sales tax and such a tax would exempt large titled products (anything that is titled through the Secretary of State pays no home rule sales tax) and it would exempt food and drug. If the Village did a .025 cent home rule sales tax, it would not be a quarter of our \$12 million revenue stream, it would exempt out titled products and food and drugs. It would hit the restaurants, clothiers, suppliers of untitled goods and services.

Mayor Krajewski asked if Mr. Van Vooren had contacted Naperville, Oakbrook, Lisle and Elmhurst. He wondered if they had seen the same thing with telecommunications. Mr. Van Vooren replied yes. Mr. Van Vooren said Oakbrook has gone down 20%.

Mr. Van Vooren said the charts that the Committee received, prepared by Mike Baker and Trisha Steele, show the revenue and expenses for the Village since 1992. Mr. Van Vooren said in the last two years Village expenses have exceeded Village revenue. The second chart compares budgeted revenues to actual revenues. The fourth chart deals with the sales tax accrual, budget versus actual. Ms. Steele said the charts demonstrate the significance of our five basic revenue sources.

Mr. Van Vooren said told the Committee that it will be extremely difficult for the Budget Team to put together a budget that does not further reduce services without added revenue. The Budget Team will be looking at service cuts somewhere between \$2.5 to \$3 million. Mr. Van Vooren said that this can not be done by carving away a little bit here and there. Mr. Van Vooren said they did a cash flow analysis with the Capital Projects Team today and we anticipate that the Capital Projects budget will start the year with a negative balance or be \$0. Again, Mr. Van Vooren said it is fully dependent upon utility taxes and their percentages. And it has a \$1.5 million commitment to pay debt service next year. It only received \$2.2 million in revenue this year and now \$1.5 million is going to be used to pay debt service. Once we sell the \$10 million additional bonds to complete the deck, we have a \$2.1 million debt requirement for fiscal year 2003-04 and TIF will bring in \$500,000 of revenue, the parking fund will contribute about \$100,000 worth of revenue toward the debt service leaving \$1.5 million to fund. Mr. Van Vooren said if he subtracts the numbers out, \$1.5 million has to come out of the Capital Fund. Mr. Van Vooren said he does not like to be the bearer of bad news but, he said he has looked at the numbers and he and Village Manager Ginex have had numerous conversations about them and he is concerned.

Village Manager Ginex said last year we really tried to look at what the Council thought was essential and we made some cuts, but the cuts we saw last year won't even compare to what we have to do this year, if we have to go that route.

Ms. Steele told the Committee that the Budget Team needs to know which way they want them to go. Village Manager Ginex added that we need to know sooner rather than later. Mr. Van Vooren said in order for him to meet filing deadlines, if in fact we exceed 105%, he needs to know what to do. Mr. Van Vooren said Mayor Krajewski asked what if we kept the rate the same, not levy the same dollars, but we levied the same rate. Mr. Van Vooren said the second chart in the packet shows that scenario would generate about a \$210,000 increase in our operating funds.

Mayor Krajewski said he thinks that this year the approach we have to take with the levy is that we should keep the rate the same or perhaps make a slight increase, just because we brought 300 homes into the Village and now we have to take over the fire and police protection. He said we can not look dollar to dollar, comparing apples to oranges. Mr. Van Vooren said that would push our percentage to 8.35%. That would be keeping the

rates the same with the exception of using the same dollar figure that Mr. Van Vooren has in there for the pensions. If the pensions come down that percentage will come down.

Mr. Van Vooren said all he is concerned about is that he meets that obligation. Mayor Krajewski said when we do the presentation, we can not look at dollar versus dollar because we brought in more property that we now have to service and so keeping the rate the same, even though it will bring us more dollars, we have to provide the service.

Mr. Van Vooren said the individual property tax rate would go down if your EAV increased higher 6.8%. If your personal EAV went up 10%, your personal tax rate would go down. You would pay more, but your tax rate would go down. Mr. Van Vooren said there are houses that are adding EAV and those that are staying. Mayor Krajewski asked what Mr. Van Vooren projected in this calculation. Mr. Van Vooren said he projected 6.834% for the EAV growth. Mr. Van Vooren said he took the EAV assessment in 2000 versus the EAV actual assessment in 2001 and calculated out that percentage. Mayor Krajewski clarified that he used what we had the year before, but did not include bringing in the extra houses, which means it will probably be higher. Mr. Van Vooren agreed. Mr. Van Vooren said if there were 200 homes down there at \$50,000 per home that we annexed on EAV, then you would be looking at another \$10 million of EAV growth. Mr. Van Vooren said he did not add anything for new growth. He said the new growth in York Township alone was \$18 million.

Ms. Steele said that changing to the rate is a more prudent way to handle it going forward because as Mayor Krajewski pointed out when you add a group of new houses, they are utilizing the same services, but they are not making the same contribution. Everyone is contributing less. Ms. Steele said in terms of these two comparisons, there is only a dollar difference of about \$200,000. Ms. Steele said it would not meet our \$2 million issue. It will help. It will provide more equity, but we still need some guidance on how the Council wants staff to address the deficit issue.

Mayor Krajewski asked, when surveying the other communities, what are they looking at for salaries? We have 4%. Mr. Van Vooren said he has had conversations with people in other communities and they are between 3 and 4 percent. Mr. Van Vooren said most of them said that they have not finished everything yet so they did not know exactly what it is. There are only a few towns that do a December fiscal year.

Mayor Krajewski asked what other towns are looking at. Many are at the max for taxes so they only have property because they are at the highest on utilities. Mr. Van Vooren said around us, most of them are non-home rule, which means that they cannot access any more in their property tax rate than the CPI and the new growth. Mayor Krajewski said they would have to do one of two things, either cut services or raise taxes. Mr. Van Vooren said they could not raise taxes without a referendum if they are capped.

Ms. Steele said some of the communities are not having the same difficulty that we have because they are not as dependent upon economic based revenues. Some communities

that have more reliance on property tax, probably the ones with caps, tend to rely on them more. Mayor Krajewski said everyone has phones and everyone has sales tax. Whatever dollars come in are spent, so they rely on them. Mr. Van Vooren said in talking with his counterparts, he has been told that revenues are not where they expected them. For example, our income tax is down significantly and that is a number that everyone got from the State. Mayor Krajewski agreed that everyone is using the same number. Mr. Van Vooren said it was \$72 per capita and it is going to come in at \$55 or \$58 per capita.

Mr. Van Vooren said we can control revenues, i.e. tax levies, utility taxes, sales taxes. If in fact we are moving in the right direction and you see the service levels that we have that you want to protect, he suggested that we seriously consider taking a look at our levy and seeing what of those service levels that he has earmarked in his memorandum they would like to include. Mr. Van Vooren said we made somewhat of a funding commitment that we would do the deferred second phase of CAD, the May 1st additional laptops and additional support stations and to do something with regard to maintenance.

Mr. Van Vooren said the Village has always taken a position that the levy has supported public safety, fire and police. We have not used the levy to fund administration operations, it has been public safety and fire and police. Mayor Krajewski said it only funds 16% of fire and police. Mr. Van Vooren said he understands, but this is an item that he can say is public safety, fire and police. He asked if the Committee is open to having a conversation about adding the items in the memo that deal with public safety to the 2002 levy. He said he is giving the Committee what the Budget Team's conversations have been regarding the projects that we are going to move forward.

Mr. Van Vooren said if the Committee tells him that the revenues are the revenues, he and Mr. Ginex and the Budget Team will go make the revenues work for the expenses. However, he would like to know if we are going to proceed forward with a truth in taxation notice and a levy requirement of some number. He said he needs to know the number so that he can plug it in to make sure that it meets the filing and legal requirements. Mr. Van Vooren said he does not feel he needs to speak any more on it. He said he believes that the Committee understands the position that the Village is in relative to the revenues.

Mr. Van Vooren thanked Ms. Steele and Mr. Baker for the charts. Mr. Van Vooren said the charts show some of the trends. Mr. Van Vooren said building permits are up and will generate \$800,000 above budget targets. However, \$240,000 came from Fry. Commissioner McConnell said we better not count on that for next year. Mr. Van Vooren said they paid their fees. Commissioner McConnell said if the economy continues we will not see all this building. Mr. Van Vooren said if the interest rates stay at record lows, everyone swings a hammer because they believe they are going to have a job next year, if they don't have one, but they will never be able to get a 6% 30 year mortgage again. Mr. Van Vooren said if the interest rates goes to 7 1/2 or 8% you will see a lot of the construction related remodeling that we are seeing. There are a dozen homes up and down Prairie that are being remodeled. Mr. Van Vooren said the interest rates are going to affect that. He added that in light of that, Gammonley's project paid \$150,000

and probably will pay another \$150,000 when they start doing build outs. Mr. Van Vooren said Rosol paid a significant amount of money for the two pods he has under construction. He will have to draw some depending on where his market penetration takes him, but he has done very well the first year. Mr. Van Vooren said what he does not see and what he has been trying to get Redevelopment to tell us is **when** will the Curtiss block be under construction. Mayor Krajewski and the Commissioners said not next year. Mr. Van Vooren said that means the Village will not get a bump like Station Crossing and he does not see another Fry coming along. Even if Fry pays sales tax, which is different, he said he does not see another building like Fry moving into the Village to pay a building permit fee.

Mr. Van Vooren said he is happy to discuss the matters as long as they wish, but he thinks the memorandum states where we think it stands and the charts tell you where we are going.

Ms. Steele said the Village has a policy on operations, which is probably too high, at 20-40%. She said the policy needs to be modified. The capital plan has a different one and we are hitting the bottom. We are down to zero or below. Ms. Steele said they anticipate more revenues coming in that will meet debt service and salaries and we also have some obligations on some work that has already been done. Ms. Steele said the Budget Team needs some direction on how the Council wants to fund Capital Projects; debt, taxes, or some other method. Ms. Steele said there is a lot of activity that the Village did not have previously because of the TIF activity. She said perhaps the Committee wants to concentrate on the TIF Capital Projects. However, the Capital Project contains many important projects such as stormwater, streets, streetlights, sidewalks, etc.

Mayor Krajewski noted that we keep paying interest on the debt out of the Capital Fund. In fifteen years we will have all the revenue coming in that will go back into the Capital Fund. He said in fifteen years we are going to have a lot of money in the Capital Fund. Ms. Steele agreed and she added that they would have to decide what to do with it. Mr. Van Vooren said if you use Friedman's analysis and Friedman's revenue generations year after year after year, there is not that much money until year 8 to 10 because of the fact that we make these Capital Projects fund loans.

What Mr. Van Vooren said he would like to suggest in future TIF assistance is to give them a percentage on the back end of what their project brings in. Then Village is not at risk, they are. Mr. Van Vooren said he is not sure if they will buy it or not, but it is a different way to look at it.

Mr. Van Vooren said we need to balance the Friedman project, the Friedman Cash analysis versus the Capital Projects debt service and what is needed. He said we have taken a look at that and although it has 17 years left to run, he estimates that the revenue for the next 8 to 10 years will need to be assisted by the capital fund to cover the \$2.2 million debt service. There is big revenue coming, \$4 and \$5 million, in the later years of the TIF. He said it all depends on how much we have to leverage to do that. Mr. Van

Vooren said there are a lot of “what ifs” out there on TIF projections, but you are correct there are large revenues in the Friedman analysis in years, 17, 16, 15 and 14.

Mayor Krajewski asked what is going to be done with our Real Estate Fund. Ms. Steele said the Budget Team needs some direction from the Council on that. She said the Team does not know how long the Council wishes to hold the property that is left. She assumed that it might be something that the Council wishes to have redeveloped soon. Mayor Krajewski asked what is going to be done with money that we got for the property. He said he believes we are going to keep that property up there until we decide what we are going to do with Fire Station 2. Mr. Van Vooren said we took the money in from the landbank project and we have been taking the annual rents from the different buildings that the Village has owned in town and it all goes to the Real Estate Fund. The Real Estate Fund has been paying maintenance costs on the buildings that the Village owns and the interest on the \$4.5 million note. Mr. Van Vooren said we now have sent \$1.5 million to the TIF Fund as an internal loan on the Fannie May building. When asked if the cash has already been taken out of the Real Estate Fund, Mr. Van Vooren replied yes. He added that it occurred in November and not in October.

Mayor Krajewski said the note is \$4.5 for Johnson. Mr. Van Vooren replied yes, he added that it is due in February. Mayor Krajewski said the Village has \$6 million tied up in those buildings. Mr. Van Vooren replied yes. He said \$4.5 million and \$1.8 million.

Ms. Steele noted that there are approximately 15 minutes left before the meeting ends. She asked if the Committee wished to continue this discussion or try to cover the garbage sticker contract issue as well.

Commissioner McConnell said it seems that if the Council does not give the Budget Team some idea of what they are thinking about then they are not really answering their need. Mr. Van Vooren said he intends to have a workshop levy discussion on the 12th, in preparation to the posting of the notice. He said on November 12th he would need direction as to what to include in the notice. Should he include it for the same dollars, for the same rate, does he include it for something different? Mayor Krajewski said the one big thing they are going to need to see is the correct Police and Fire numbers. Mr. Van Vooren says as soon as he receives them, he will insert the numbers in the spreadsheet and it will be recalculated.

Commissioner McConnell asked when Mr. Van Vooren would have those numbers. Village Manager Ginex said the Police numbers should be available by the middle of the week.

Commissioner Zabloudil asked if Mayor Krajewski would like some type of projection covering the additional homes and what number they should come in at. Mayor Krajewski said he would use the same rate, not the same dollar amount. Ms. Steele said that would be a couple of hundred thousand dollars and the Police and Fire Pension modifications will make a couple hundred thousand dollars more, but she added that the Budget Team still needs some guidance. Mr. Van Vooren said he believed that what

Mayor Krajewski was saying was that if the Police Pension drops from \$1 million to \$.5 million, he may be willing to talk about some of that drop. Although Mr. Van Vooren said he still needs to hear from the other Council members.

Mayor Krajewski said that on the Fire one, the levy would probably drop and be below what last year's levy was. Mayor Krajewski added that they have been levying the wrong dollars in there. He added that Tim Sharp was saying about \$140,000. Village Manager Ginex said for Police he was saying about \$130,000 or \$140,000 without seeing his numbers yet. He said Fire only went up \$70,000. He said with Fire some of the salaries that were in there were lower than what they should be and the individuals that were gone, were gone out of last year, not out of this year, so it would not be that big of an impact. Village Manager Ginex said as soon as he gets the numbers worked up; he will give them back to him. He added that Police might go back down \$150,000 or \$160,000.

Mr. Van Vooren said when he gets the new numbers; he will e-mail out the charts. He said prior to November 12th he would like to know if he should use \$1,100,365 for the Police and \$1,260,000 for the Fire, which is what we levied last year as a fixed dollar amount, or should it be something else. Mayor Krajewski asked if we could levy the rate, i.e. .0916. Mr. Van Vooren said he could not levy a rate. He said he can take the rate and multiply it to an extension dollar and levy the dollar. Mr. Van Vooren said we must levy a dollar amount, so he must use his best guess as to what \$.0916 would be. Commissioner McConnell said we need to get this as accurate as we can. Mr. Van Vooren said, because we are not capped, whatever we put down they are going to levy. If we were capped, once the cap calculation would fall in it would go away, but we are not capped. If we put down \$2 million, they will give us \$2 million. He said if the school district put down \$20 million and they were only able to get \$18, they would only get \$18. Mr. Van Vooren said they would get them the information. He added that if they have any questions they should contact him or Village Manager Ginex.

BFI Request

Mr. Van Vooren said the contract with BFI expires March 31, 2003. He said he asked Mr. Baker to roll the amnesty program into rate of the stickers. The two of the three towns around us that offer amnesty programs put the cost into the ir rates. Woodridge charges \$2.25 per sticker, which includes two free amnesty days. Each amnesty day adds approximately \$.07 to the cost of each sticker. Mr. Van Vooren said the Village could modify it a bit by varying the number of stickers we require for amnesty day. Currently we require two stickers per amnesty day. He noted Woodridge requires three stickers per amnesty day. If we require a third sticker, Mr. Van Vooren said it would lower the cost a bit.

Mr. Baker clarified that \$.07 per sticker applies to both refuse and yard waste. Mayor Krajewski asked what rate BFI is giving the Village. Mr. Van Vooren provided that information. Mayor Krajewski said that is cheaper than the other towns around us. Mr. Van Vooren said if he adds \$.14 per sticker for two amnesty days, we can expect the proposed sticker price to increase by that same margin. He said if the Council wants the

amnesty days, Mr. Baker and he will see if BFI will accept an offer of \$2.15 this year and next year for the two amnesty days. Mr. Van Vooren said the Village has generally had a contract that has kept the rate the same over the length of the contract. If the contract is for two years, the rate remains the same for the two years, it does not scale up.

Mr. Van Vooren said BFI will do leaf pick up in bags for an 8 week period in October and November for an additional \$.07 per sticker. Mr. Baker clarified that residents would not have to put a sticker on their leaf bags. Mr. Van Vooren said any leaf bag that is put out during that 8 week time period would be picked up for an additional \$.07 per sticker. Mr. Van Vooren said that the provision was in BFI's original proposal three years ago, however, the Village did not accept it because at that time no one liked the rate.

Mr. Van Vooren said he is aware that there have been many inquiries about leaf pick up. He asked if the Committee feels it is worthwhile to have a program where the residents provide the labor and the bag, but the garbage company will pick them up for \$.07 per sticker.

Commissioner Zabloudil said two amnesty days and leaf pick up will add \$.21 per sticker. Mr. Van Vooren agreed. Commissioner Schnell suggested having one spring amnesty day and the fall leaf pick up. Commissioner McConnell said she does not think doing more than two is realistic.

Mr. Van Vooren asked if the Committee wanted him to negotiate for two amnesty days and no leaf pick up. Commissioner McConnell said she liked Commissioner Schnell's idea of one amnesty day and one leaf pick up. Mayor Krajewski suggested adding that if the Village comes across the revenue, the contract could be enhanced and adjusted. Mr. Van Vooren said he felt sure BFI would allow us to do that.

Mr. Van Vooren asked how the Committee would feel about changing the amnesty day requirement from two stickers to three stickers. Commissioner Schnell asked if that would also apply to leaf pick up. Mr. Van Vooren replied no. He said leaf pick up is free. Commissioner Schnell said she feels that is unfair because most of the time residents can recycle leaves with a mulching lawn mower.

Village Manager Ginex clarified that the Committee wanted to have one amnesty day and the free fall leaf pick up. Mr. Van Vooren said the Village can hold out the opportunity to do a second amnesty day if we pay for it.

Commissioner Zabloudil asked if the contract would have a fixed rate for two years or a rate, which would be increased each year. The Committee said they wanted a fixed rate for the duration of the two-year contract.

Mr. Baker asked if the Committee wants to keep the refuse sticker price and the yard waste sticker price the same. Mr. Baker said that might provide another element of flexibility. Mr. Van Vooren suggested pricing the landscape waste sticker \$.10 more than a regular garbage sticker. He said the Village currently does one-third landscape stickers

and two-thirds garbage stickers. The Commissioners did not object to charging more for the landscape waste stickers. Commissioner McConnell said it might encourage residents to recycle. Commissioner Schnell said charging more for landscape waste, would not adversely impact senior residents who may have more refuse than landscape waste.

Mr. Baker said the next step in the process would be to present the proposal to the Village Council for input on these major questions; however, since four members of the Council are present at this meeting, perhaps that would not be necessary. Mr. Van Vooren agreed.

Village Manager Ginex asked the Committee to emphasize to the Council that we are coming on the 12th with the budget discussion and the Budget Team would really like to have some direction.

Commissioner McConnell said she would be reluctant, although she could be persuaded, to look at increasing something on the property tax or having a Village sales tax. She said she would be very reluctant to do something that would impact everybody because there are many residents who are out of work and that will not change in the near future. Commissioner McConnell said if the Village is going to do anything, she would prefer to look at the user taxes. She said she knew that would not get us all the way to where we need to go, which means we are going to have to go back and see what we are not going to do. Mr. Van Vooren said in all honesty that means **evaluating such options as** closing a firehouse.

Mr. Van Vooren said telecommunications and home rule sales tax are now controlled by the State, which means that the Village can no longer levy them starting tomorrow. We have a January or July trigger. He said if the Council wishes to increase the telecommunication tax, the next time we can do it is July 1. Mr. Van Vooren said he has to have the notice to them in March.

Commissioner Zabloudil asked what would happen if the Village said they were going to increase the tax and then changed their mind and did not do it. Mr. Van Vooren said there must be an ordinance or resolution on file by the end of March.

Commissioner McConnell said she would still rather look at home rule sales tax before she wanted to look at property tax.

Ms. Steele distributed the Budget Calendar Update to let everyone know where we are.

Ms. Steele asked the Committee to approved the minutes for the September 3, 2002, September 17, 2002 and October 15, 2002 meetings of the Finance and Administration Committee, which they did.

Commissioner Zabloudil adjourned the meeting at approximately 6:25 p.m.

