

Approved 12/17/02

Village of Downers Grove Finance & Administration Committee Meeting Village Hall – Village Manager's Office December 3, 2002

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

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

Absent: None

Items for Discussion:

- Approval of Minutes
- Budget Update
- IMRF Contributions
- Banking Services
- Collection Agency Services
- Discussion – Refinancing \$4.5 million Short Term Loan
- New Business

Approval of Minutes

Commissioner Zabloudil asked if there were any additions or corrections to the November 19, 2002 Finance and Administration Committee meeting minutes. Hearing none, the Committee approved the minutes of the November 19, 2002 Finance and Administration Committee meeting as presented.

Budget Update

Following the timeline that had been established, Mr. Baker said yesterday was the deadline for the submission of departmental budget requests. He said almost every department has submitted their budget request and those who have not have been notified. Mr. Baker said the next step is to check the budgets for proper formatting and entry of additional information and over the next few weeks, the Ballroom staff would help with those efforts. In addition the Budget Team will review the actual expense requests for fiscal year 2003-04. Thus far, the Budget Team has estimated expenses of \$37 million in the General Fund and in a few weeks that can be compared to the actual requests.

Mr. Baker said later this month, the Budget Team will schedule meetings with each department to be held after their first of January 2003 to review individual budgets. In the meantime, the Budget Team will send a memo to the department directors outlining the process for identifying potential expense reductions for the Village Council to review as alternatives when balancing the budget. Mr. Baker said the Budget Team is attempting to create a process that is systematic and comprehensive. One which allows every department director to evaluate and prioritize their own programs and services for the Budget Team's and the Council's review. Mr. Baker said the instructions for the process would be distributed to the department directors within the next few days.

Commissioner McConnell asked if any departments have a submitted budget request for next year that differs greatly from their current budget, either over or under. Mr. Van Vooren said the Public Works Department is seeking to add four or five individuals to their department, a couple in the Stormwater section and a couple to replace individuals who were lost during the 02-03 budget cuts. Mr. Van Vooren said that anytime personnel are added it has a direct impact on the bottom line. Although the figures have not been checked, Mr. Van Vooren said after reviewing budget requests from Public Works, Fire, and Police, it seems that they are cognizant of the conditions under which the Village is operating at this time.

Mr. Baker noted that the Village Council Saturday Budget Review Sessions have been tentatively set for March 8, and 15, 2003. The Commissioners agreed that the dates should be placed on the calendar as soon as possible. Ms. Steele asked if they also wanted to schedule a third session. Commissioner Zabloudil said he would like to schedule three review sessions at this time. The third session was scheduled for March 22, 2003. Commissioner McConnell asked that the schedule of Saturday Budget Review Sessions be circulated to the Village Council before it is put on the Village's website. The Budget Team agreed. Ms. Steele agreed and asked that the schedule be sent to all the department directors as well. Mr. Baker agreed that the Council and the department directors would be notified before it is posted on the website.

Ms. Steele said that in the past there has been a cycle for the replacement of Village-owned computers. However, the Council has asked that a different system be developed. Ms. Steele said the Budget Team is considering charging each department a certain amount, which would be placed in a computer equipment replacement fund and reserved for replacing computer equipment when necessary. Commissioner McConnell agreed that there should be a central computer replacement fund, which could be costed out to individual departments as needed.

IMRF Contributions

Ms. Steele said that as stated in the November 19th Finance Committee Meeting minutes, IMRF contributions will be increasing in the future. Currently, the Village is deducting more from each department than is necessary to cover the current required contributions and holding the surplus in reserve in anticipation of the increase that will occur. Ms.

Steele added that the IMRF reserve fund would be included on the list of options for the Council's consideration when balancing the budget.

Banking Services

Ms. Steele said she was notified today that the Village's pension board investment manager Mary Tomanek of Salomon Smith Barney will be resigning at the end of the first quarter, 2003. Ms. Steele said once Ms. Tomanek has submitted a letter of resignation to the Pension Boards, an RFP will be sent out seeking the another investment manager. Mr. Van Vooren added that Ms. Tomanek served on the Police and Fire Pension Boards in an advisory role and her compensation was driven off the spread on the trades, rather than a flat fee based on the portfolio. Mr. Van Vooren said there are two types of investment advisors: one provides investment advice only and receives a flat fee based on the value of the fund, the other provides investment advice and facilitates investments. He added that Ms. Tomanek provided advice and facilitated the investments through Salomon Smith Barney on the treasuries.

Commissioner Zabloudil asked who would create the RFP. Mr. Van Vooren said that the RFP would be driven by the Pension Boards. Ms. Steele said that staff would provide a draft RFP for the Pension Boards' approval. Mr. Van Vooren clarified that the Pension Boards would make the final decision when selecting an investment advisor.

Collection Agency Services

Ms. Steele distributed a draft RFP for selection of a collection agency to follow up on the Village's delinquent accounts. Ms. Steele said the RFP was written in a manner, which would provide staff with comparative costs. She noted that the RFP lists Police Parking Violations as an optional activity. This was done so that staff could evaluate agencies in this area. Ms. Steele said the RFP would be sent out this week to solicit proposals and she hoped to have a recommendation to present to the Finance Committee in January 2003.

Commissioner Zabloudil asked if staff had any aging on past due accounts. Ms. Steele replied yes. Staff has developed it in the last few weeks. Commissioner Zabloudil asked for a breakdown on the overdue alarm fees showing the length of time that each account was overdue. Ms. Steele said staff could provide that information.

Commissioner McConnell asked if the accounts were annualized. Mr. Van Vooren said it includes everything that is on the books. Although, he added that it might not be worthwhile to turn some of the year-old accounts over to a collection agency. Mr. Van Vooren said the agency's compensation would be a percentage of the amount that they collect. Commissioner McConnell asked what the standard collection agency fee would be. Mr. Van Vooren said he believed agencies received a minimum of one-third of the amount collected.

Mr. Van Vooren said internally, staff is taking steps to eliminate overdue accounts. For example, individuals or groups with overdue charter bus accounts are being denied future charter services until their account has been paid in full and the Village will no longer issue certificates of inspection for elevators in buildings until past due inspections fees have been paid.

Commissioner Zabloudil suggested that the Village get a credit card imprint for future charter services, especially when dealing with individuals or organizations that do not have a history with the Village. Mr. Van Vooren agreed. Commissioner McConnell asked if a deposit is required when booking a charter. Mr. Van Vooren replied no. He said the reservation is taken over the telephone and an invoice is sent after the services have been provided. Mr. Van Vooren said if the Village requires a credit card for an initial bus reservation, bus charters would have to be arranged in person at Village Hall.

Commissioner McConnell asked if there is a target date to have the collection agency in place. Ms. Steele said she placed it on the Council agenda for the second week in January 2003.

Discussion of Refinancing

Mr. Van Vooren said about two years ago the Village borrowed \$4.5 million to assist in financing the purchase of the Johnson Printers properties, with the intention that it would be repaid from the sale of the Curtiss block properties. Mr. Van Vooren said that the note matures February 1, 2003. The terms and conditions of the note were two years with interest paid semi-annually and the principal payment could be made at maturity or at any interest payment time. He added that it was the LIBOR rate plus 65 BPS. Commissioner Zabloudil asked if the current rate is 1.8%. Mr. Van Vooren said it is fewer than 2%.

Mr. Van Vooren said he and Village Manager Ginex are going to meet with Mr. Al Ambrose, Vice President of Northern Trust Public Finance Section, tomorrow regarding refinancing some GO's in the hope of saving the Village some money. Mr. Van Vooren said Mr. Ambrose has indicated that if the Council wishes, this bond can be rolled over with no problem for two years or longer, with the same terms and conditions. Mr. Van Vooren said they would try to negotiate with Mr. Ambrose to reduce the basis points if possible.

In addition, Mr. Van Vooren said he has talked with the pertinent re-development staff concerning the timeframe for flipping this property to a private purchaser. Mr. Van Vooren said Deputy Village Manager Pabst, Redevelopment Director Skach, and Mr. Friedman believe that the Village Council's plan to repay the loan from the sale of the property is still intact and should be followed. Thus, staff would like to re-finance the loan for an additional two-year term. Mr. Skach has indicated that the groundwork on their RFQ RFP will be completed during 2003 and that the property would potentially be ready for sale in late 2003 or early 2004.

Mr. Van Vooren said if the interest rates remain the same, the Village is paying \$110,000 in interest per year if the rate is at 2.6%. The Village generates approximately \$90,000 in rent specifically from the Sears Building. Mr. Van Vooren said staff has told the tenants that the Village would not ask them to leave during fiscal year 2003, if the tenants stay in place, the Village can expect \$90,000 in rent. Mr. Van Vooren said if the rates remain the same, the gap between interest and rent would be about \$30,000 to \$35,000.

Mr. Van Vooren asked the Finance Committee to recommend to the Village Council to authorize staff to take the necessary steps to refinance the existing \$4.5 GO bond. He said that staff would complete the necessary groundwork to refinance the bond with Northern Trust and bring it to the Village Council for approval in January 2003.

Commissioner McConnell asked about the cost of refinancing the loan. Mr. Van Vooren said there is no financing cost, it is a straight paper transaction. Instead of maturing, the note would be extended two additional years. He said he would ask Mr. Ambrose to see if the LIBOR plus 65 BPS could be negotiated. Mr. Van Vooren explained that Northern Trust purchased the bond for one of their private investors. He added that it is a fully taxable bond. Mr. Van Vooren said Northern Trust is prepared to offer the same terms and conditions at this time and if the property is sold for the cost of the note, the note can be paid off at its next 6 month anniversary. However, if the property is sold for less than the cost of the note, Mr. Van Vooren advised that the Village would have to make the payment on the note and roll the needed principal into another financing mechanism, i.e. long-term TIF bonds for further improvements.

New Business

Ms. Steele followed up on the e-mail regarding the browser to make sure all the issues were resolved.

Ms. Steele advised the Committee that staff would like to hire an outside firm to assist the Village in meeting the GASB 34 infrastructure reporting requirements. She distributed a draft memo and proposal for this assistance. Ms. Steele said that it was previously thought that this new reporting requirement could be handled in-house; however, because of changes in Public Works' personnel and time constraints, it has been decided that outside assistance is needed. Ms. Steele said staff recommends that funding for this service be obtained by using a portion of the savings from the Finance Director position vacancy.

Commissioner Zabloudil asked if a timeframe has been worked out for the assistance. Ms. Steele replied yes.

Commissioner McConnell asked if references have been checked. Ms. Steele replied yes.

Ms. McConnell asked how the BFI contract was progressing. Mr. Baker said he received a response letter from BFI last week, stating that the Village's request to include the first

amnesty day in the sticker price is acceptable to them, with the provision that three stickers will be required per household on amnesty day. Mr. Baker said BFI did not provide a price for the second amnesty day, nor did they accept the inclusion of the yard waste pickup. Mr. Baker said the Village had also proposed increasing the yard waste sticker price to \$2.15; however, BFI offered both yard waste and refuse stickers at a price of \$2.05. Although after recalculating the analysis using \$2.05 as the price for yard waste and refuse stickers, Mr. Baker said it appeared that BFI would receive less revenue than they would have under their original proposal. Mr. Van Vooren said he did not think BFI used as comprehensive an analysis as the Village did before offering both types of stickers for \$2.05. Mr. Van Vooren said that perhaps BFI rejected the proposed yard waste pickup because they felt they would lose the revenue from the sale of yard waste stickers. However, Mr. Van Vooren pointed out that the Village's analysis revealed that yard waste stickers are sold consistently every month, even in January and February.

Mr. Van Vooren said he and Mr. Baker would advise BFI that the Village wants a second amnesty day and they would see if it could be done for a fixed cost or find out if they can do it at a sticker price of \$2.05 or \$2.10. Mr. Van Vooren asked if he should pursue leaf pick up because it appears that BFI does not want it. Commissioners McConnell and Zabloudil asked that he pursue it.

Regarding the Foreign Fire Fund, Commissioner McConnell wondered if Ms. Petrarca had reviewed and approved the Board's interim plan. Ms. Steele said Ms. Petrarca said that according to Village ordinance, the Village is not required to sign the money over to the Foreign Fire Fund. However, the check which was received from the State indicates that per State Statute, the check must be signed over to the Foreign Fire Insurance Fund. Ms. Steele said Ms. Petrarca is still looking into the matter, as it appears that the Village ordinance may be in conflict with the State Statute.

However, the Foreign Fire Insurance Board has outstanding bills, which need to be paid. Commissioners McConnell and Zabloudil agreed that the bills must be paid and suggested that the Board forward them to the Village for payment. However, Ms. Steele said the Board was asking the Village to release the money to them so they could pay the bills. Commissioners McConnell and Zabloudil disagreed with that proposal and repeated that the Board should forward the bills to the Village for payment.

Ms. Steele asked for permission to give the Board the cash, which corresponds to the bills, if the Board refuses to forward the bills to her for payment. Commissioners McConnell and Zabloudil agreed. Mr. Van Vooren suggested that the Board submit a letter to the Village requesting the amount needed to pay the bills. Upon receipt of the letter and copies of the outstanding invoices, Ms. Steele would transfer the funds.

Regarding the Village bus service discussed at a previous meeting, Mr. Ginex distributed a copy of a study compiled by Stan Balicki detailing the maintenance costs for the service since 1994. Mr. Ginex distributed the following: the first chart details maintenance costs per bus per year. The second chart shows the labor costs for in-house maintenance

per year and the total annual fleet maintenance costs. The Committee reviewed the charts.

Mr. Ginex pointed out that the charts reflect the periodic fluctuations in the costs. He explained that major costs occur and are met; however, as the fleet ages major costs re-occur. Mr. Ginex said the third chart shows the total lifetime maintenance per bus. The final chart is a vehicle maintenance history per year showing the hourly labor rate and costs for physical parts. Mr. Van Vooren added that not all maintenance is done in-house.

Commissioner Zabloudil asked what bus statistics the Village Maintenance Department tracks. Mr. Van Vooren said he would check, but he thought they tracked mileage and hours on the engine. Commissioner Zabloudil said he thought it would be helpful to see the cost per mile and the cost per hour and he asked staff to prepare the calculations.

Commissioner McConnell asked if the buses were different ages. Mr. Van Vooren replied no. He said all buses were purchased in late 1992 or early 1993.

Commissioner Zabloudil asked staff for the total revenue generated by the entire bus fleet. Mr. Van Vooren said staff would prepare the revenue from both the commuter bus service and the charter bus service. Mr. Baker asked if Commissioner Zabloudil wanted a trend analysis and cost benefit analysis. Commissioner Zabloudil replied yes.

Commissioner McConnell asked about the cost for the bus drivers. Mr. Ginex said the Village has one full time driver, the others are part-time. Mr. Van Vooren added that there are no overhead costs shown on the charts, i.e. risk insurance.

Commissioner McConnell said it appears that the Village is spending \$.5 million to support the bus services.

Mr. Ginex said at the Mayors and Managers meeting they discussed what was happening with PACE. Mr. Ginex said DuPage County returns more to PACE than Cook County does, but DuPage receives less. He said that PACE is also experiencing funding problems and they are considering cutting three or four routes in DuPage County, not including Downers Grove. Mr. Ginex said although the Mayors and Managers are trying to have more of the money come back to DuPage County, it does not appear that they will have too much success.

Commissioner McConnell asked about the ridership on each of the Village commuter bus routes. Mr. Ginex said that there are very few riders on the north route.

Commissioner Zabloudil asked staff to compile the most complete comprehensive analysis of bus service costs possible, so that if the Council recommends eliminating the bus service, they will have the numbers to justify it. Commissioner Zabloudil said he believes the numbers will speak for themselves and provide ample justification for eliminating the service. Mr. Ginex agreed.

Commissioner McConnell pointed out that the Village either has to purchase new buses to replace the existing fleet or it has to pay large amounts to maintain the current fleet, and the Village does not have the money to do either.

Mr. Van Vooren said that even if the Village started using 17-passenger vans instead of buses, the loss of charter bus revenue would still require the Village to increase rates. Although, Mr. Van Vooren acknowledged that use of 17-passenger vans would decrease the Village's fixed costs. Commissioner Zabloudil added that the maintenance costs would also decrease.

Mr. Ginex said staff has discussed increasing the fare for the commuter bus service. Commissioner Zabloudil said he did not believe that a fare increase would provide enough money to support the service. Mr. Ginex reminded the Committee of the public outcry the last time eliminating the commuter bus service was discussed. Commissioner Zabloudil agreed, but added that at that time they did not have the numbers to justify eliminating the service. Commissioner Zabloudil said the Village can not spend \$450,000 each year on a service that is used by 200 people. Mr. Van Vooren clarified that the Village spends \$150,000, without funding depreciation and the Village would have no way to maintain the existing fleet, which costs \$1.6 million.

Mr. Ginex and the Commissioners said Mr. Balicki's analysis and graphs were very helpful.

Mr. Ginex brought up the issue of ADA ridership, which was also discussed by the Mayors and Managers. He noted that handicapped individuals often rely on PACE buses and PACE would still have routes through the Village. Commissioner Zabloudil agreed but pointed out the Village's commuter bus service is running on residential streets, picking riders up in their driveways. He said perhaps the Village could work out new routes with PACE and publicize them, to make it easier for residents to find alternate transportation. Mr. Van Vooren pointed out that the Village also has more frequent pick-ups and drop-offs at the train station than PACE offers.

Ms. Steele suggested that the Committee might also want to consider combining the Parking and Transportation Funds. Commissioner Zabloudil agreed that raising the parking fees to fund transportation was another option. However, Mr. Van Vooren pointed out that the Village would still need to supply \$2 million worth of buses.

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