

Approved 12/02/03

**Village of Downers Grove
Finance & Administration Committee Meeting
Village Hall – Ante Room
November 4, 2003**

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

Present: Commissioner Zabloudil, Commissioner Sandack, Mayor Krajewski, Village Manager Ginex, Dave Van Vooren, Trisha Steele, Mike Baker, Greg Zimmerman

Absent: None

Others

Present: Jim Hughes, Senior Consultant, Maximus

Items for Discussion:

- Approval of Minutes
- Village Salary Ranges
- Revenue Discussion & Tax Levy
- Unobligated Cash Balance

Approval of Minutes

The minutes of the October 21, 2003 Finance and Administrative Committee Meeting were approved as presented.

Village Salary Ranges

Village Manager Ginex said the Village reviews employee salary ranges and comparables periodically in order to stay competitive. At the time of the last review Council directed staff to review the ranges and move them every other year to stay comparable. However, the individuals within a range would not necessarily move with the range. Mr. Ginex said Mr. Hughes, a senior consultant with Maximus, has prepared a regression analysis and other information to help the Village stay competitive with comparable communities.

Mr. Hughes recalled that in 2000 Maximus was asked to review the Village pay plans. At that time, data was gathered on every job and using a proprietary evaluation system, the relative worth of each job was determined. The results were reviewed with management and a final structure of jobs assigned to pay grades was established.

Maximus then gathered pay data for a group of benchmark jobs from comparable communities. Because the Council wanted Downers Grove to be at the 60th percentile, Mr. Hughes said the 60th percentile data for the survey jobs was applied to the entire range of Village jobs. Since 2000 the Village has kept the pay structure (how jobs are assigned to pay grades) current and the system, which was established in 2000, can now provide a basis for subsequent reviews. At staff's request, Maximus also gathered pay data each year and compared it to see how it affected the Village's ranges. Mr. Hughes said overall the Regression analysis indicates pay ranges 4% to 5% above the current ranges. Thus, to remain at the 60th percentile, would require increases of 4.5% to 5%.

Mr. Hughes said over time jobs change and if the above ranges do not seem adequate for any reason, a special study can be done and ranges can be changed or adjusted for certain jobs.

Mr. Van Vooren said changes in the salary ranges would affect the budget. He explained that employees, who are at the maximum of their salary range, are eligible for only ½ of their maximum merit raise in a one-time cash bonus. However, if the range is expanded, employees, who were previously at the "max", would have an opportunity to receive their entire merit raise and it would become part of their base salary. Thus, moving the ranges will impact the budget process.

Village Manager Ginex said this item will be workshopped next week and he would like the Council to decide on the percentage for salary increases. Mr. Hughes advised that the Council should also consider where they want to move the ranges and how they would like pay delivered within those ranges.

For the Council Workshop meeting, Commissioner Zabloudil asked staff to provide the number of people by position in each grade, their average wage, and the highest and the lowest salary in each grade. In addition, he asked staff to provide backup payroll data.

Revenue Discussion & Tax Levy

Mr. Van Vooren distributed follow-up information on the last month's tax levy discussion. Regarding the Fire and Police Pension levies, Mr. Van Vooren said the Police Pension Board has proposed a levy of \$880,000. Their rate would be up 37% and would add \$.0497/\$100 eav compared to \$.0391 last year. He said he is still awaiting the levy for the Fire Pension Fund.

Mr. Van Vooren said the Downtown Management Association has asked to levy \$240,000 for SSA#2. This would generate a rate of \$1.5149; however, they are "maxed" at \$1.50 so the Assessor will automatically reduce the rate to \$1.50, which would reduce the levy to approximately \$238,500. Mr. Van Vooren noted that although the assessed valuation for SSA#2 is frozen, it has changed approximately \$25,000 to 50,000 every year for the last four years. He anticipated that the assessed valuation for the area would go up again this year because the property, which the Village sold to Station Crossing, would be returned to the assessed area.

Village Manager Gine x said residents are asking for creation of another SSA for brick streets. He asked if it would affect the current SSA #1. Mr. Van Vooren replied no. He said that each SSA is independent and a new SSA would have to be created by ordinance for the area in question.

Mr. Van Vooren said the corporate operational rates for Police and Fire are the same as they were in 2002. The Police rate, 0.0911, was used to propose an extension of \$1,612,279 for 2003. The Fire rate 0.0845 was used to propose an extension of \$1,486,593. Mr. VanVooren said he multiplied the 2002 actual eav by the rate of residential growth in 2002, 8.2%, rather than using the combined rate of 8.56% because he did not want to overstate the future growth in the eav.

Mayor Krajewski noted that the 2002 actual rate for the Total Village was .3675 without abating a number of the TIF's. He pointed out that the Village rate was lower than almost every other community in the area. Last year Council discussed whether or not to increase the corporate Police and Fire levy. Mayor Krajewski said this year the Council would have to decide what they want to do with the Police and Fire levies and still maintain a total Village rate of .3675. Mr. Van Vooren said there might be some staff support for increasing those levies because it is the Village's most stable source of revenue.

Mr. Van Vooren called the Committee's attention to the Debt Service portion of the spreadsheet and pointed out that he abated the 1999 bond issue, the 2000 bond issue, 2001a bond issue and the Fairview Avenue debt service bond issue. He said those could be abated without drawing money from any other source. However, if all of the remaining debt service series are abated the money will have to come from one of the Village's other programs.

Ms. Steele discussed the concept of designating a different revenue source, i.e. part of the sales tax, or part of the home-rule sales tax, to cover the debt temporarily until the TIF increments increase. This would show better coverage of police and fire protection without levying property taxes to pay the remaining debt service series.

Mr. Van Vooren explained that there is \$.0654, which equates to the \$1.156,593 in debt service, for which he needs to find revenue. If taxes are not levies for it, the Village must find revenue for it in the General Fund. Mr. Van Vooren said his goal is to maintain the total Village rate of .3675.

Mr. Van Vooren added that the Library debt service was refinanced earlier this year resulting in a \$15,000 decrease in the residents' levy requirements.

Mr. Van Vooren referred to the General Fund Executive Summary prepared by Mr. Baker showing that the Council adopted \$37,000,000 in the Total General Fund and expenses were \$37,000,000. The summary also presents more and less conservative

projections for the Council's consideration. Mr. Van Vooren pointed out that personnel related expenses are the ones, which continue to grow at a significant value.

Mr. Baker reviewed the General Fund Executive Summary. In calculating the projections for next year, he said he reviewed the General Fund revenue by account looking at the performance of each account and the amount that has been received year-to-date. Some are performing better than expected and some continue to perform poorly. In calculating expense projections, he applied general percentage increases to the existing 2003-04 budget expenses. In addition to the revenue and expenses, Mr. Baker factored in other items, which he anticipated would impact the General Fund budget, i.e. substantially greater savings from the ERI (5+5) Program and CAD expenses which will drop off this year. However, there will be other factors, which will increase expenses for next year, i.e. additional contributions to the fund balance and funding of Village/Council priorities. Mr. Baker said based on preliminary projections and depending on whether or not the Council decides on a more or less conservative approach, he anticipated that the deficit would be between \$981,000 and \$2,131,000.

Mayor Krajewski said the Council should begin discussing these issues soon. Village Manager Ginex agreed. Mr. Van Vooren said adoption of the tax levy is scheduled for December 16, 2003. He added that a truth in taxation notice must be published before the levy is adopted because this year's levy is more than 5% above last year's levy. The increase is due to last year's abatement.

Mr. Baker said they have begun implementing the new budget software and comments from staff have been very positive. This should facilitate the upcoming budget discussions.

Mayor Krajewski said it appears that the majority of the budget discussion will focus on the \$28,000,000 in personnel related expenses. Village Manager Ginex agreed. However, he said from his perspective the Village can only cut so much. Commissioner Zabloudil agreed and asked Mr. Ginex to present the necessary back up documentation to the Council. Mayor Krajewski said the Council should also evaluate which services, if any, they feel can be reduced or eliminated. Mayor Krajewski said the Village could no longer afford 5% increases each year.

Mr. Van Vooren said if funds for Contribution to Fund Balance and Funding for Council Priorities were eliminated from the budget, it would result in a savings of approximately \$.5 million; however, there would still be a \$.5 million deficit. Although staff could reduce the budget by another \$.5 million, there would be no growth in any of the other categories to meet the obligation for personnel. Mr. Van Vooren said staff negotiated a set rate for health insurance; however, they do not know what salary increases will result from Village contract negotiations.

Mr. Van Vooren agreed with Mayor Krajewski that the property tax is the Village's most stable source of revenue. There is about \$1.1 million in debt from the TIF, which is not being abated because the revenue is not there to do so this year. Mr. Van Vooren said

because he does not know if contributions from Metra for parking spaces would be codified before the levy deadline, he did not include them in the budget.

Mayor Krajewski suggested that in the future the levy be structured to cover anticipated future Police and Fire costs.

Unobligated Cash Balance

Ms. Steele briefly reviewed information related to the Unobligated Cash Fund Balance. Chart 1 showing the 3 Year Trend – Fund Balances illustrated that three years ago the General Fund balance was very high and the Village budgeted to use some of those funds to provide services. Unfortunately there was a downturn in the economy and subsequent fund balances in the General Fund have been substantially lower. The second chart depicts 3 Yr. Trends: Resources Over/(Under) Uses. She pointed out that over the last three years revenue has been lower than expenditures and other uses due to design and/or the economy. Chart 3 depicts the 3 Year Trends in the Cash Balance.

Ms. Steele explained that in 1991 the Village Council developed a policy referencing an “unobligated cash balance”. However, because there is no firm definition for the term, Ms. Steele encouraged the Council to choose a Fund balance policy instead of a cash balance policy.

The Committee decided to meet next week.

The meeting was adjourned at approximately 6:20 p.m.