

Approved 3/2/04

**Village of Downers Grove
Finance & Administration Committee Meeting
Village Hall – Ante Room
February 17, 2004**

Commissioner Zabloudil called the meeting to order at 5:35 p.m.

Present: Commissioner Zabloudil, Commissioner Sandack, Village Manager Gine x, Dave Van Vooren, Trisha Steele, Mike Baker

Absent: None

Others

Present: Risk Manager Dennis Burke, Laurel Bowen

Items for Discussion:

- Approval of Minutes
- Budget Update
- Insurance Update
- January Treasurer's Report
- Old Business
- New Business

Approval of Minutes

The minutes of the February 3, 2004 Finance and Administration Committee Meeting were approved as presented.

Budget Update

Mr. Baker said staff is focusing on publishing a budget document and having it ready for distribution a week before the public hearing, scheduled for the first Tuesday in April. Adoption of the budget is scheduled for the third Tuesday or the second Council meeting in April.

Commissioner Sandack asked if decisions on abatements must be made before the end of February. Mr. Baker said consideration of abatement ordinances is on the Active Agenda for the February 24th Council meeting.

Mr. Van Vooren added that the Council has received copies of seven abatement ordinances dealing with the debt service levies. An eighth abatement ordinance would

have to be created if Council wishes to abate general property taxes instead of any of the debt service property taxes. Mr. Van Vooren said he intends to discuss the issue of an abatement ordinance for general taxes at tonight's budget meeting. He explained that \$.04 was added to the Fire Protection and Police Protection and if Council wishes to lower those amounts, a specific abatement ordinance would have to be prepared for that tax levy.

Mr. Van Vooren explained that the Village is required to abate all TIF increment for the five TIF ordinances, 1999, 2000, 2001, 2002, and 2003 bond issues, which deal with the CBD TIF. Based upon what staff believes the Village is going to receive and what the Village received in excess of the budget last year, Mr. Van Vooren said he is required to abate three of the TIF bond issues because the ordinance authorizing the sale of the bonds pledged the increment.

Commissioner Zabloudil asked Mr. Van Vooren to identify for Council which three bonds must be abated and which bonds Council has the discretion to abate.

Mr. Van Vooren said of the seven bond issues, four are required by ordinance to be abated. Ms. Steele added that all the TIF bond ordinances require that TIF increment be used if available.

Mr. Baker explained that the proposed levy for the TIF series 1999 debt service is \$396,315 and for TIF series 2000 debt service, it is \$398,319. Together they equal approximately \$800,000 of debt service, which is approximately the amount the Village expects to receive next year in TIF increment. Thus, that increment will be used to pay off those debt service obligations. Mr. Baker said the proposed levy for Series 2001 is \$300,763; for Series 2002 it is \$264,733; for Series 2003 it is \$589,943. Because the TIF increment for this year came in higher than anticipated, staff has determined that the 2001 debt service levy could also be abated. However, Staff is not recommending abating the Series 2002 or 2003 debt service.

Mr. Van Vooren said there is revenue for the 2001a Water Bonds and the 1998 Fairview Avenue bonds are covered by the gas tax.

Mr. Baker said staff met earlier this week to work on the Capital Budget Five-Year Plan. He said in the future staff would like to present the five-year plan to Council before the budget process begins. However, currently staff is focusing on projects for 2004-2005 for discussion prior to adoption of the budget this year. Late fall 2004 staff intends to present a CIP document showing projects planned for the next five years.

Mr. Van Vooren said staff was going to try to allocate anticipated revenue to the anticipated/desired projects. If the revenue were not adequate, Council would have the opportunity to reprioritize the funding or change the allocation process. Commissioner Sandack said matching sources of income to expected expenses would be beneficial to Council and would help with the five-year plan.

Ms. Steele advised that it would be beneficial to plan debt management, as well as capital projects, in advance.

Insurance Update

On February 11th, Mr. Burke said he e-mailed requests for quotes to renew the Village's insurance program for May 1, 2004. The request identified the current program, and included renewal information. It also requested quotes on the effects of adding the Parking Deck upon completion and the possible disbanding of the transportation system. It also requested quotes on the available layer of surplus above \$30 million, the aggregate stop loss, as well as a comparison of coverage and costs. The brokers were given their assigned markets. He requested that the quotes be returned by April 7th, and he hoped to have the renewal ready to Workshop on April 13th.

Treasurer's Report January 2004

Ms. Steele distributed a copy of the General Fund – Revenues and Expenses for January 2004. Mr. Van Vooren said revenue for sales tax and home rule sales tax is tracking fairly close to projections. He added that the cash portion of the report would be ready for distribution late this week or early next week, because some debt service adjustments must be made relative to the payments that came out in January. Mr. Van Vooren said for January revenues and expenses off by \$8,512.

Mr. Van Vooren said that Chief Ruscetti has reduced Fire Department expenses to within 2% over budget. He reduced his monthly expenditures in January and if he is able to continue to do so, Mr. Van Vooren said the Fire Department would be within budget very soon. Mr. Van Vooren said all Village directors have been advised to manage at budget or slightly below and he believes that they will all accomplish this goal.

The Police Department is operating about 2% under budget, which amounts to \$250,000. Mr. Van Vooren said Chief Porter told him that he can manage, but some things have been deferred to keep within the budget. Mr. Van Vooren said Public Works is almost 6% under budget. He explained that the January increase for Public Works reflects overtime for snow removal, which is a significant expense. He added that February would also include snow removal and salt expenses. Mr. Van Vooren said Public Works still has a shortage of employees due to the Early Retirement Program and the department is having difficulty filling vacancies.

After applying in the first three months Home Rule Sales tax revenue, Mr. Van Vooren said he believed that the Village would end the year with a positive gain in the General Fund balance.

Old Business

Ms. Steele said the Fund Balance policy should set the amount of the fund balance and the action to be taken if the balance is above or below the amount set in the policy. She

also pointed out that different fund balances might be needed for different funds, i.e. General Fund, Capital Fund, Health Insurance, etc. She asked that Council consider these issues.

The current policy requires a fund balance covering four to six months of operating expenses. Ms. Steele said staff recommends a fund balance to cover three months of operating expenses. Nationally, not less than two month's operating expenses is the recommendation for very large communities.

Ms. Steele pointed out that sales tax is shared revenue, and the State has the prerogative to change the amount shared.

Ms. Steele asked Council to consider how to handle fund deficits in other operational funds should they occur. However, she reminded the Committee that there are some funds, i.e. pension funds that the Village cannot touch.

The Committee agreed that staff would summarize their past work on the Fund Balance Policy and submit a proposed fund balance and actions to be taken if the balance is above or below the proposed amount.

Commissioner Zabloudil asked staff to focus on establishing a sound cash balance policy. He added if the Village has a sound cash balance policy, a sound fund balance would follow. Mr. Van Vooren said staff would probably recommend a cash balance to cover two month's operating expenses, or \$6 to \$7 million. He said the Village would be required to allocate money to the cash balance over the course of several budget cycles in order to reach that amount.

Mr. Van Vooren said staff will present cash balance positions for different funds, i.e. General Fund, Water Fund, Capital Fund and the support mechanisms required for each.

New Business

Ms. Steele said the newly hired Director of Finance, Rita Trainor, would begin her employment with the Village within the next few days. Ms. Steele said she was worked with Ms. Trainor professionally in the past and found her to be very intelligent and good at her work.

The meeting was adjourned at approximately 6:10 p.m.