

VILLAGE OF ORLAND PARK

14700 Ravinia Avenue
Orland Park, IL 60462
www.orlandpark.org



Meeting Minutes

Monday, July 31, 2017

6:00 PM

SPECIAL MEETING - 2018 BUDGET

Village Hall

Board of Trustees

Village President Keith Pekau

Village Clerk John C. Mehalek

*Trustees, Kathleen M. Fenton, James V. Dodge, Jr., Patricia Gira,
Carole Griffin Ruzich, Daniel T. Calandriello, and Michael F. Carroll*

CALL TO ORDER/ROLL CALL

The meeting was called to order at 8:05 PM.

Trustee Dodge was present via audio conference at 8:30 PM - He stated he was traveling for businesses.

Staff Present: Interim Village Manager Joseph La Margo, Finance Director Annmarie Mampe, Assistant Finance Director Sarah Schueler.

Present: 7 - Trustee Fenton, Trustee Dodge, Trustee Gira, Trustee Griffin Ruzich, Trustee Calandriello, Trustee Carroll and Village President Pekau

SPECIAL MEETING

2017-0393 FY2018 Budget Hearing - Operating Revenue Forecasts and Estimates and Recurring Expenditures

Finance Director Annmarie Mampe reported that tonight is the public hearing for revenue. She will be reviewing the Village's operating revenue forecasts and estimates and recurring expenditures.

Director Mampe requested direction from the Board tonight if they approve the assumptions for revenue and approve the revenue numbers that will be presented tonight. Direction will also be needed for the use of the excess fund balance from year to year and on the distribution of the target, whether practices from the past years will continue or there will be a change.

In September the Capital Budget will be reviewed with the Board for them to consider. In October the full operating budget will be reviewed with the Board when the departmental hearings take place.

A power point presentation (EXHIBIT A) was presented along with other documents (EXHIBIT B).

She began reviewing the prior year excess fund balances which is approximately \$784,000 that can be used to fund part of the FY2018 budget. However, if the Board has a different opinion of how this should be used, she will need direction.

President Pekau stated that the Village has between the excess funds available plus the changes in the required reserves, there is approximately \$9 Million. Going forward he believes the Board should be looking at these excess fund balances to be used in the capital budget and not the operational budget. If these excess fund balances do not exist in the future the Village will have big operational issues.

He stated that any operational savings that departments have at the end of the year, the Board should consider letting the departments receive those savings back for their capital projects, a type of incentive.

Director Mampe stated that if this is the Board's decision, she can move forward this way. This is a policy change and something that staff would need to know to move forward.

Trustee Ruzich stated that this is the lowest excess fund balance that the Village has seen since 2010.

Director Mampe agreed and stated the Village's last excess fund balance was \$3.5 Million. This decrease is due to lower tax revenues. The five year financial plan that has been presented to the Board in the past has shown this decrease.

Trustee Ruzich stated that she is not comfortable making this decision now. She would like to go through tonight's presentation first.

President Pekau stated as the Board has discussed making this change in one year may be a big leap in just one year. By asking these tough questions, this will make staff look into decisions to see if it can happen this year.

Trustee Calandriello stated that he agrees that a serious conversation needs to happen if the excess fund balance should be used. He suggested continuing going through this presentation to see where the numbers are and see if the excess funds are needed this year or not.

Director Mampe continued by reviewing the FY2018 proposed operating revenues.

Trustee Ruzich questioned when the last time the Village raised the property tax levy.

Director Mampe stated this is the seventh year in a row that the Village has had a flat levy without raising any other revenue sources.

Director Mampe continued the presentation and stated that they are being very conservative forecasting the sales tax base. She reviewed income tax and the motor fuel tax.

The budget that is being presented has no new revenue sources or no new home rule revenue sources (for example food and beverage, amusement tax, transfer tax, utility tax, etc.). There are no debt proceeds as a revenue source, the total operations will be cash funding. There is no line of credit, no bond proceeds included.

Development related fees are based on 72 single family homes, 29 townhomes and 9 large commercial developments. Recreation program fees were adjusted based on cost of individual programs.

Director Mampe reviewed operating revenues by class for FY18 proposed and FY17 forecast along with the differences.

Director Mampe reviewed the fixed expenditures on the operating side and FY2018 personnel requests that the Board will discuss during the departmental budget hearings in October.

Trustee Dodge joined the meeting at 8:30 PM via telephone conference. He stated that he is out-of-town on business.

Director Mampe continued explaining the recurring fixed expenditures and how the Finance staff split them into core expenditure groups.

President Pekau reviewed so the Village's operating revenue that does not include the excess fund is \$55.3 Million and the expected expenditures are \$54.8 Million.

Director Mampe stated that is correct.

All of the fixed costs listed become part of a departments budget. The fixed costs are identified and the department budgets are prepared and then the budget is given to the department with a targeted amount. Last year's target amount was \$4.2 Million. Historically, the department's variable expenses were somewhere between \$3 Million and \$3.5 Million. Taken from the \$3.2 Million of that \$4.2 Million and then given to the department, letting them know this is their funds, no one time costs are included in that amount. The departments use this amount to fund their variable expenses (for example training, office supplies, domestic supplies, membership, subscriptions, etc.)

Fixed costs and not fixed costs were discussed, for example ammunition for the Police Department. This was not considered a fixed cost and the Police Department needed to budget for this from their variable budget. (EXHIBIT B)

President Pekau stated that the Village has \$2.5 Million that is left over and Director Mampe you are saying this will be used for operating expenses. His point is if these are used for operating expenses those operating expenses should be in another area (discretionary or variable expenditures). This will tell the Board what they need to know about the various departments.

Trustee Ruzich stated that she believes this is a way this had been done in the past which is the sum is given to the departments to make those determinations opposed to saying for example you will get \$5,000 worth of office supplies.

Director Mampe stated that what she thinks Mayor Pekau is stating is that those amount for office supplies or memberships, if it was done that way, then the

Finance Department with the assistants of the Village Manager's Office would be formulating the entire budget.

Historically, what has been done is identify those fixed costs that Finance does not want the departments to determine. All the fixed costs (for example salaries, due to there are bargaining units that determine salaries) are added to what the departments come up with using what Finance has distributed to the departments and that becomes their operating budget.

President Pekau stated once again that he believes the \$755,000 rollover of excess fund balance needs to come out of the operating budget and saved for capital projects. If it is decided that this can't be done, that will be a Board decision. This should be a practice that excess funds not be used for operating budget and used for true capital.

Director Mampe stated that the operating capital is improvement to the Village Hall, Sportsplex, pool, or Orland Health and Fitness.

Trustee Calandriello stated that he had noticed cutting back on the Annual Report. He believes that this is a very informational piece for Village residents to see how their taxes are spent and would not like this to be dissolved.

Interim Village Manager La Margo stated that the Annual Report would still be available on the Village Website in flipbook format. It would not be mailed to the residents homes. Another item that was cut from the budget was the Telephone Town Hall. He has spoken to Mayor Pekau and it is believed some more traditional Town Hall Meetings can take place going to different areas in the Village.

Trustee Calandriello stated to Interim Village Manager La Margo to please add the Annual Report back in the budget.

Interim Village Manager La Margo stated that he will need direction from the Board if the Annual Report can be place back into the budget.

Trustee Ruzich reviewed that there is no new debit in 2018, no new taxes, no new revenue sources, and this is the seventh year of a flat property tax levy. She stated that the Board is either going to need to raise some revenue or make some cuts if the Village is going to continue to run the way it has. For that reason she is okay with one less Orland Park Public.

President Pekau stated that Interim Village Manager La Margo had discussed with him the savings involved with no longer mailing the Annual Report and the Orland Park Public that could save \$75,000. Different avenues were discussed as far as smaller publications that are far less in cost. This can be discussed further when the Village Manager's budget is discussed.

Director Mampe stated that direction is needed tonight for her and her staff to move forward on the budget with the cuts that are being presented to the Board tonight. Also, if the Board agreed to not use the \$755,000 excess fund rollover and it is added to capital budget that will also change the budget.

Interim Village Manager La Margo suggested that the Annual Report be placed in the Public Information Office budget as a discretionary item.

Trustee Ruzich stated that a decision needs to be made by the Board if all or any of the excess rollover is going to be rolled over as it has in the past.

President Pekau stated that the \$755,000 excess rollover should be earmarked for capital projects; even if it is operational capital he is fine with that.

Trustee Carroll questioned what would happen if in an upcoming year there were zero excess rollover funds.

Director Mampe stated the first step would be to fund fewer capital projects or eliminate any capital projects completely for that year and fund the true core operating expenses only.

Trustee Ruzich questioned if there is a consensus of the Board to use the excess rollover for the capital budget only. That would bring the target down to \$1.7 Million.

Director Mampe stated if the Board decided to not use the excess rollover for operational, the available amount to fund is down to \$1.8 Million, last year it was \$4.2 Million. That will be all of the variable expenses in the various departments and any discretionary expenses, which would be brought to the Board.

The personnel requests that have been requested by departments were approximately \$800,000 after this was reviewed by Interim Village Manager La Margo, Interim Assistant Village Manager Friling and I, the amount was reduced to \$511,876.

Director Mampe stated that the variable operating expenses in all the operating departments as well any discretionary requests that the departments bring forward will have to be funded with that \$1.8 Million, last year that amount was \$4.2 Million. That is a significant decrease.

Trustee Fenton commented if the budgeted amount is down to \$1.8 Million it is her hope that there will be no new positions in this budget. If the Board is considering cutting things that the residents are used to, for example the Annual Report and Orland Park Public or a Special Event, I would hope there are any new positions created.

Trustee Dodge stated that he is looking forward to hearing from the Department Directors regarding the larger amounts in the budget, for example Vehicle and Equipment, Special Events, etc. to see how cuts can be made for efficiency.

Trustee Ruzich once again repeated with keeping the Village's property levy flat for the seventh year in a row, these cuts are going to have to take place or the Village will need to find new revenue sources.

Trustee Calandriello agreed with Trustee Ruzich and stated that the Village will need to look into some new revenue sources. He suggested to possibly look into attaching the Village levy to the pensions.

Director Mampe reviewed that the \$1.8 Million is what is being considered as the budget target amount. The \$700,000 in excess fund balance will be moved to operating capital, any savings from the prior year the Board would like to spend in capital.

That \$1.8 Million is significantly less than last year. Not only will this \$1.8 Million be given to the departments to fund their variable but it is also the funds that the Board was able to use in discretionary request.

Director Mampe asked if the Board truly wants to allocate that entire \$1.8 to the departments to fund their variable budgets or does a portion of that amount need to be set aside because there will be discretionary requests that the Board will want to fund.

Trustee Ruzich questioned if the \$511,000 from the Village Manager's recommendations on personnel request be taken out of the \$1.8 Million.

Director Mampe stated if that is what the Board chooses.

Trustee Carroll stated that he would prefer to leave the process the way it has been done by using the \$784,000 excess fund balance to fund the operational budget. He understands what Mayor Pekau has stated earlier, but changing the methodology on how the excess fund balance is used to him it does seem semantic. The Village could be losing some very good programs, personnel, efficiency.

Trustee Dodge stated that the Board wants to fund certain parts of the budget but find cuts in other parts of the budget. He does not want cuts he want efficiency.

President Pekau stated that at the \$1.8 Million level it forces Directors to ask those hard questions on what can be cut. Otherwise, those questions are not asked. So when the departments look at their budgets and find they cannot balance their budget on what they were given, then the Board will see if there are

other revenue sources or by that time there may have been increases in the sales tax revenue.

Trustee Ruzich stated that with what has been discussed tonight with the cuts that will need to be made she is recommending no personnel requests should be considered for this budget year.

President Pekau suggested that when the Board meets with the departments at that time they can explain their need for additional personnel. If revenue does come available at that time possibly positions can be considered.

Trustee Gira stated that there are many employees that are being assigned extra responsibilities without receiving a small increase in their pay. For example Parks, they have taken on all of the Village Ponds with no increase of staff. She is asking that instead of completely not considering reclassifications she would like to wait to make that decision after hearing what the Department Directors reasoning is for reclassifications.

Interim Village Manager La Margo suggested that any reclassifications can be placed in discretionary and during the department hearings the Board can decide at that time if there are any discretionary funds available.

Trustee Calandriello requested a consensus to direct staff to allocate half of the \$783,000 excess fund balance to be placed towards the Departments targeted budget amounts that would be \$2.1 Million instead of the \$1.8 Million and the other half of the excess fund balance be placed in the operating capital budget.

Trustee Fenton - \$2.1 Million
Trustee Calandriello - \$2.1 Million
Trustee Ruzich - \$1.8 Million
Trustee Carroll - \$2.5 Million but will agree to \$2.1 Million
President Pekau - \$1.8 Million
Trustee Gira – \$1.8 Million
Trustee Dodge - \$1.8 Million

The consensus of the Board is to direct staff to allocate the entire \$1.8 Million as the target amount for the Department budgets. The Board will make a separate decision to fund any submitted discretionary requests (personnel requests) during their departmental budget hearings.

The next budget hearing is scheduled for Monday, September 25th at 6:00 PM discussion will be proposed capital improvement plan, IT projects and vehicle purchase and the revenue related to those.

I move to recommend directing staff to move forward using the assumptions as proposed in the tentative FY2018 operating revenue estimates to prepare the

operating budget for FY2018.

A motion was made by Trustee Carroll, seconded by Trustee Calandriello, that this matter be APPROVED. The motion carried by the following vote:

Aye: 7 - Trustee Fenton, Trustee Dodge, Trustee Gira, Trustee Griffin Ruzich, Trustee Calandriello, Trustee Carroll, and Village President Pekau

Nay: 0

EXECUTIVE SESSION

I move to recess to a Closed Executive Session for the purpose of discussion of a) the appointment, employment, compensation, discipline, performances or dismissal of specific village employees; b) the purchase or lease of real property for the use of the village; and c) setting a price for sale or lease of village property.

A motion was made by Trustee Fenton, seconded by Trustee Gira, that this matter be RECESS. The motion carried by the following vote:

Aye: 7 - Trustee Fenton, Trustee Dodge, Trustee Gira, Trustee Griffin Ruzich, Trustee Calandriello, Trustee Carroll, and Village President Pekau

Nay: 0

RECONVENE BOARD MEETING

The roll was called to reconvene the Regular Meeting and Trustees Fenton, Dodge, Gira, Ruzich, Calandriello, Carroll and President Pekau were present.

Report on Executive Session and Action as a Result of, if any.

Purpose of the Executive Session was for the discussion of a) the appointment, employment, compensation, discipline, performances or dismissal of specific village employees; b) the purchase or lease of real property for the use of the village; and c) setting a price for sale or lease of village property.

A formal motion was made on the Board floor as follows:

I move to accept the proposal from Blue Canyon to provide business evaluation analysis service as a part of the real estate purchase of real property.

A motion was made by Trustee Griffin Ruzich, seconded by Trustee Carroll, that this matter be APPROVED. The motion carried by the following vote:

Aye: 7 - Trustee Fenton, Trustee Dodge, Trustee Gira, Trustee Griffin Ruzich, Trustee Calandriello, Trustee Carroll, and Village President Pekau

Nay: 0

ADJOURNMENT - 10:20 PM

A motion was made by Trustee Fenton, seconded by Trustee Gira, that this matter be ADJOURNED. The motion carried by the following vote:

Aye: 7 - Trustee Fenton, Trustee Dodge, Trustee Gira, Trustee Griffin Ruzich, Trustee Calandriello, Trustee Carroll, and Village President Pekau

Nay: 0

/nm

APPROVED:

Respectfully Submitted,

John C. Mehalek, Village Clerk

Casey Griffin, Deputy Clerk