

VILLAGE OF ORLAND PARK

14700 Ravinia Avenue
Orland Park, IL 60462
www.orland-park.il.us



Meeting Minutes

Monday, October 12, 2009

7:00 PM

SPECIAL MEETING

Village Hall

Board of Trustees

Village President Daniel J. McLaughlin

Village Clerk David P. Maher

*Trustees Bernard A. Murphy, Kathleen M. Fenton, Brad S. O'Halloran,
James V. Dodge, Jr., Edward G. Schussler, and Patricia Gira*

CALL TO ORDER/ROLL CALL

In the absence of Village Clerk David P. Maher, Deputy Clerk Joseph S. La Margo was present.

The meeting was called to order at 7:30 PM.

Staff Present: Village Manager Paul Grimes, Interim Assistant Village Manager and Finance Director Annmarie Mampe, Assistant Finance Director Sarah Schueler.

Present: 6 - Trustee Fenton, Trustee O'Halloran, Trustee Dodge, Trustee Schussler, Trustee Gira and Village President McLaughlin

Absent: 1 - Trustee Murphy

DISCUSSION

2009-0438 Discussion of 2010 Budget

Village Manager Grimes gave a brief summary to the Board that this is the second meeting of several series of budget workshops. The intent of these workshops is to present to the Board where the FY2010 budget stands in terms of the Village's revenue and expenditure projections.

Village Manager Grimes stated there will be a need for a consensus of the Board on what strategies should be taken in order to moving forward to balance the budget. Once the broad strategy is established, then the additional workshops will focus on reviewing each individual department's line items and determine what their allocations will be.

Village Manager Grimes stated that currently there is a \$2.7 Million projected shortfall for FY2010.

Trustee O'Halloran stated that in the past the Board had received a book with all the budget details. The book he referred to gave different variances between the upcoming budget, the current year-end budget projections, and previous year's budget historical. Trustee O'Halloran questioned why the Board has not received this book.

Interim Assistant Village Manager and Finance Director Annmarie Mampe explained what has been done this year, is the same that has been done in prior years and that is what the Village's total revenue is. Taken out are all the costs (which was done), then there is the net target amount. What is needed is to have the net target amount for FY2010 be the same as what the Village had available in the last audit fiscal year.

The last audit year was 2008 and the Village had \$4.2 Million available to fund the

Village's variable costs. When that calculation was done for this year (2009) the Village had approximately \$800,000 available to fund its variable costs. When that amount was given to the departments, it was impossible for the Village's to operate at that level.

Interim Assistant Village Manager and Finance Director Mampe state that on September 19th it was discussed what the amount was available for the Village's departments to operate and what the Village departments had to operate in 2008. Needed, was to reconcile that difference in order to get the Village departments operating back at 2008 level. At that September 19th budget workshop, basically what was presented and discussed by staff and the Board was how to reconcile that difference.

President McLaughlin stated that it is safe to say this year is an aberration from past years. The Village is very short and staff is working basic numbers first before the detailed budget book is put together.

Interim Assistant Village Manager and Finance Director Annmarie Mampe stated that in the past when the departments put together their line item budgets, the department Director first meets with their committee chairperson of their department. The Director reviews with their chairperson the line item detailed budget to makes sure this is what can be recommended for approved by the Board. The departments that have currently submitted their budgets to Finance should have already sat down or began discussion with their committee chairperson on what they are submitting as their FY2010 budget.

Interim Assistant Village Manager and Finance Director Mampe stated what has been submitted so far to Finance by the departments, is nowhere near a final budget. It is unknown what the departments have available because of the cuts that are needed to be made. These cuts are because of the difference between the revenue available and the spending that the Village needed to do.

Discussion continued on the detailed line by line budget book that currently is not available.

Trustee Schussler explained that discussed at the September 19th budget workshop was after the Board factors in the automatic increases that has to be paid based on collective bargaining agreements and inflationary increases there is not enough money to run the department. This is a structural defect. The revenues are \$2.4 Million less than the expenditures. Major decision need to be made before the Board can even get to the point to begin allocating line by line budget amounts for the departments. Major decisions were made at the September 19th workshop; however, those decisions were not enough to close the gap. Now the Board has to decide how to close the rest of the gap and give that money to the departments in order for them to being the line by line budget detail process and present it to the Board.

Interim Assistant Village Manager and Finance Director Mampe explained page 1 of **EXHIBIT A**, which were the budget shortfall and the recommendation for reducing the shortfall.

Trustee O'Halloran stated he would like to understand how the projected revenue figures were determined, completely, in full detail. He does not want to make any decision on cuts or eliminate anything if he does not agree with how the revenue projections were decided. These are only revenue projections not reality.

Trustee O'Halloran stated he would like to receive information for a meeting before the meeting actually takes place. He would then be better prepared, rather than receiving worksheets and information at the beginning of a meeting/workshop.

Interim Assistant Village Manager and Finance Director Mampe stated that will be done in the future.

Village Manager Grimes stated the purpose for tonight's meeting is to present to the Board the Village's budget shortfalls. It can be discussed and debated what the revenue projections are and the manner of this budget shortfall, but there is a shortfall and there is a need for broad direction from the Board on how to proceed. When this is completed, it would be time to get to the details on how the Board would like individual departments line items allocated.

Village Manager Grimes reviewed page 5 of **EXHIBIT A**, which are the additional options for funding the \$1,269,084 shortfall. At the September 19th meeting the consensus of the Board (that was present) was to reconcile the remaining shortfall (at that time was projected to be \$1.5 Million) currently that shortfall amount is at \$1.3 Million. In order to bring this shortfall down, it was agreed to use a portion of the reduced tax rebate to reconcile the remaining shortfall.

Village Manager Grimes stated that staff has some additional options. This is not a policy decision that the Board may want to take at this time. It would be remiss if these options were not brought to the Boards attention. It is important that the Board does have some revenue options which are.

- Food & Beverage Taxes
- Utility Taxes
- Telecommunication Tax

- The Village could enhance Property Tax

At the September 19th meeting it was the consensus of the Board (that was present) not to raise taxes to reconcile the shortfall.

Trustee Dodge stated that he agrees with that consensus, no new taxes.

Village Manager Grimes stated now there is the expenditure side. The Village has a \$1.3 Million gap that needs to be reconciled. There are some things the Board can do on the expenditure side, if the Village is not willing to enhance the Villages revenues, separate from reducing the tax rebate. Suggestions were:

- Furlough Program (85% of the Villages costs are labor driven)
- Salary freeze – elimination the cost of living increases
- Reduction in force

Trustee Dodge stated that on page 5 of **EXHIBIT A**, because of public safety the only column that can be considered regarding the Furlough Program is the column that excludes Police Officers and Police Supervisors. All agreed.

Village Manager Grimes stated furloughs and salary freezes (for union employees), are a labor issue and the Village would be dealing with collective bargaining agreements. Attorney Tom Melody from Klein, Thorpe and Jenkins is available to discuss these issues; however a motion would need to be made to go into Executive Session.

Village Manager Grimes further explained staff and services reductions/changes in force which would involve different components. All positions in the Village are very important and helpful; it makes the Village a better organization. There are positions that are not critical to the delivery of the Village's core services.

Trustee Fenton asked on the Voluntary Retirement Program on page 1, **EXHIBIT A** its shows \$532,004. How much would it cost to fill these positions by bringing employees back.

Interim Assistant Village Manager and Finance Director Mampe stated if a position is converted from full-time to part-time this was calculated into the \$532,004.

Trustee Fenton asked if the Village temporarily did not fill the open positions left by the Voluntary Retirement program and had a hiring freeze what will the savings be.

Village Manager Grimes stated currently there is a hiring freeze. The \$532,004 would come up to approximately \$1 Million.

Trustee Schussler stated that a few of these positions that will be vacated because of the Voluntary Retirement are core positions and can not be eliminated.

Village Manager Grimes stated that there are several employees from

Development Services that opted to take the voluntary early retirement. Because the Village currently does not have much development, the Village doesn't need these employees' full time services. There are only a few employees that were offered the opportunity to come back part-time who may not have opted to retire if this option was not offered. This is a win win situation for the Village because if these few employees' were not offer to come back part-time then they would not have retired at this time and there would be no savings.

Trustee Gira stated clearly the positions need to be evaluated individual to see what the function and if it is needed as a core position.

President McLaughlin stated assuming the Village is at the \$1.4 if the Village reduces staff and services. However, the Board does not want to reduce staff and cut services too early in this process. How could this shortfall be reconciled without reducing staff and cutting services?

Village Manager Grimes explained page 6 for **EXHIBIT A**, which are different scenarios to help the budget shortfall options.

Trustee Schussler questioned what will happen for FY2011 if there is no change with regards to projected revenues increasing significantly and the Village does not make any staff reduction. Where will the Village be in 2011?

Village Manager Grimes stated the Village is facing a structural issue. The revenues have stayed flat or declined in some areas and staff does not see those improving anytime soon. In the State of Illinois tax revenues are down 13%, the Village is down 10%. Unemployment is projected to be at 10.5% on a national basis, Illinois may be higher. Unemployment may peak at 10.5% in mid June of 2010 which is in the middle of the Village's next fiscal year. People will not be changing their spending habits.

Unemployment will be at +9% well into 2011 and there will not be a job filled recovery anytime soon; there will be an anemic growth. Orland Park is a growing suburb and there are several projects coming on line in 2010, but they will not make a difference immediately, it will be more in 2011. The State of Illinois will not offer the Village any refuge; they are \$3 Billion behind in bills. The State has \$2.25 Billion in short-term loans due by June 30th. The stimulus monies are drying up.

Village Manager Grimes believes the State of Illinois will be turning to the local communities to seek more. Corporate income tax receipts are down 27.8%. \$3.8 Billion in obligations carried over from FY2009.

Village Manager Grimes believes the Village should be prepared and adjust to a long term realization that there is a long term period of moderate growth. There will be an anemic housing development for some time because of unemployment

up 10% people will not be building and buying new homes. All of this affects the Village because there will be no development fees.

Village Manager Grimes stated structurally the Village needs to be prepared for the upcoming fiscal years that are going to be very lean. Using rebate monies to reconcile the Village's shortfall is a short-term fix; it will not resolve the structural issues.

Trustee Dodge stated no revenue increases. He requested the Village fit its core expenses in the core traditional revenues that have always been (which are all the usually revenues along with the original taxes revenue); suspend the tax rebate in its entirety but then only use that rebate money for capital expenditures.

Trustee Dodge stated he believes whatever it takes the Village is going to get this budget shortfall reconciled; be it salary reductions, furloughs, or additional reduction in staff. The Village needs to fit the core expenses in the core traditional expenses.

Trustee Dodge stated he is very uncomfortable to use the Home Rule Sales Tax to plug the gap. He would prefer to stop the rebate in its entirety for 2010 and place that money in the capital fund.

President McLaughlin stated at the September 19th meeting it was discussed to only give a partial tax rebate. It is becoming clearer that the Board needs to consider suspending the rebate in its entirety for a year or two. He agreed the goal is to make the Village's operation costs covered by normal sources of revenue and not use the Home Rule Sales Tax. If that is done it will mean making some serious decision in cutting staff and services now as oppose to using a small amount of the Home Rule Sales Tax to get the Village through FY2010. In FY2010 the Village will still be doing capital projects and can consider some new sources of revenue or consider some layoffs. There could be different scenario that some staff would retire or leave their positions for another; there could be additional income from the car dealerships, there are a lot of things that could affect the operational costs in FY2011.

Trustee Dodge stated that he agrees with President McLaughlin but would rather take an aggressive approach to this problem now because he doesn't think the long term is going to be any better.

Trustee Schussler suggested the Board go into Executive Session to hear what Attorney Tom Melody options are.

The Special Meeting reconvened at 8:40 PM.

EXECUTIVE SESSION - 8:17 PM

I move to recess to a Closed Executive Session for the purpose of discussion of

a) collective negotiating matters between the village and its employees, or their representatives, or deliberations concerning salary schedules for one or more classes of employees.

A motion was made by Trustee Edward Schussler, seconded by Trustee Patricia Gira, that this matter be RECESS. The motion CARRIED by the following vote:

Aye: 6 - Trustee Fenton, Trustee O'Halloran, Trustee Dodge, Trustee Schussler, Trustee Gira, and Village President McLaughlin

Nay: 0

Absent: 1 - Trustee Murphy

RECONVENE BOARD MEETING

The roll was called to reconvene the Special Meeting and Trustees Fenton, O'Halloran, Dodge, Schussler, Gira, and President McLaughlin were present.

Purpose of the Executive Session was for the discussion of a) collective negotiating matters between the village and its employees, or their representatives, or deliberations concerning salary schedules for one or more classes of employees.

Discussion of 2010 Budget continued

Trustee O'Halloran stated that obviously there is a big gap. There is another aspect that can cause a change and that is the economy can begin to improve. He does not want to lose the Village's workforce by moving to quickly on layoffs.

Trustee O'Halloran stated that he believes getting all the Village employees up in arms by implementing layoffs will be very challenging and across the board furloughs will be a problem.

Trustee O'Halloran suggested taking the shortfall (\$1.4 Million) from fund 54 which is a savings that has been building up. The entire tax rebate money would be placed into the capital fund and then omitting something from the capital side may be a solution.

President McLaughlin stated the entire Board wants to avoid the layoffs if possible. By using some of fund 54 or part of the tax rebate, this would only be a temporary fix. The Board would then need to continue to look for ways to address the structural problem over the next year or two.

Trustee O'Halloran stated possibly over the next twelve months more employees would take advantage of the early retirement. Maybe a midyear budget process would be necessary to review how things are going (if the sales tax is on the upswing). At that time other options would be discussed.

Trustee Dodge stated the Village can't predict the volatility and where it will settle from a sales tax prospective. There is a lot of revenue that is never coming back to Orland Park because the same types of businesses are now in Tinley Park (191st & Harlem) and on Route 30 that offer lower sales tax. There are also internet sales that currently do not require any sales tax.

Interim Assistant Village Manager and Finance Director Mampe explained if the tax rebate is suspended for the rebate that is going out this March of 2010 (which was already budgeted and approved in the FY09's budget) and suspended for March of 2011; also \$1.5 Million is borrowed from either the Home Rule Tax fund or fund 54 to reconcile the operations; then there will be a shortage on the capital side of approximately \$4 Million.

Interim Assistant Village Manager and Finance Director Mampe stated so what would need to be done is the Board would need to cut \$4 Million in capital projects from the lists that were received from all the departments, or come up with another revenue source to fund the \$4 Million.

President McLaughlin stated tonight's meeting was not intended to get into the separate line items. The theory was does the Board eliminate in layoffs 12 to 15 positions and take a hard line approach; or philosophically is the Board okay using some of the rebate to shore up the operating budget for a year or two. Staff needs general direction on the Boards opinion to move forward.

Trustee Dodge stated these are two different approaches and he requested to receive the numbers for each of these suggestions.

Village Manager Grimes stated where the September 19th meeting left off was to use \$1.5 Million of the rebate money. There was \$2.25 Million that would be yielded by reducing the tax rebate and \$1.5 Million of which would be used to shore up the operating budget. The tax rebate reduction is down to \$1.269 Million now; there are some things that can be done to bring this amount down to \$1 Million. If that number can get to \$1 Million from suspending the tax rebate (so there would be the \$4.5 Million, \$1 Million of which would be used to reconcile the operating budget for FY10 the rest would remain in the capital fund). Next year, the entire tax rebate would remain in the capital fund. Now the Board and staff need to continue to cut \$269,000 out of the budget.

Village Manager Grimes stated he is trying to find a consensus of the Board to move forward.

The Board continued to discuss different scenario to resolve the budget short fall.

ADJOURNMENT - 9:02 PM

A motion was made by Trustee Brad O'Halloran, seconded by Trustee Kathleen Fenton, that this matter be ADJOURNED. The motion CARRIED by the following vote:

Aye: 6 - Trustee Fenton, Trustee O'Halloran, Trustee Dodge, Trustee Schussler, Trustee Gira, and Village President McLaughlin

Nay: 0

Absent: 1 - Trustee Murphy

/nm

APPROVED:

Respectfully Submitted,

David P. Maher, Village Clerk

Joseph S. La Margo, Deputy Clerk