

Finance Committee of the Village Board
Thursday May 3, 2012
7:00 pm
Approved Minutes

1. Call to Order

Trustee Hedges called the meeting to order at 7:00 pm

Present: Trustee Hedges, Brewer and Tucker present. President Pope arrived at 7:10pm.

Others Present: Interim Manager Pavlicek, Deputy Village Manager Shelley
CFO Lesner, Budget Manager Harris, John Wielebnicki, Director of Public Works, Bill
McKenna, Engineer

II. Minutes

All minutes approved with minor corrections noted by Trustee Brewer.

III. Public Comment

No public comment

IV New Business

A. Five Year Capital Plan Review

The Committee asked staff to first define the purpose of the CIP and what are we trying to achieve in Finance Committee. The Public Works Director explained that back in September during the FY12 budget preparation, the Board asked staff to further refine the document. Staff went back to now include 5 years and more detailed sections such as Right of Way, Building Maintenance, Water & Sewer, etc. In addition, all the funds show a revenue stream.

The Committee and staff proceeded to go through the CIP project by project and noted various revisions. Staff confirmed there are no street sign replacements in 2013. The Committee asked if there was any savings to bonding our street work. In the document staff will make a change to the titles to reflect “projected gap” instead of “bond proceeds”.

Trustee Hedges noted his position again and stated that he understands there is no collective interest to accelerate the CIP programs, but money is cheap now and the Village may get more alleys and streets finished, for example, without a great deal of expense. The discussion centered on the capacity to do such an accelerated project,

whether it is one year or over 3 years. Staff noted the challenges with oversight, etc. Maybe a short term contract employee is an option. The Committee asked for a cash flow/side by side comparison of a bond or a pay-as-you go option and the tax impacts of those options.

Interim Manager Pavlicek talked about process. Ideally, the Board could adopt the 5-Year CIP annually in September, and then, for the annual budget adopted in November, “drop-in” the appropriate year.

President Pope reminded staff that Law was looking for a way to codify a fee structure in which Utilities would be required to pay for work done in the public street. The purpose of the fee is to reflect the reduced lifespan of the road as a result of the work by the Utilities and hopes that this would motivate the Utilities to coordinate with the Village to limit the number of times the same street or location is opened. Interim Manager Pavlicek added that the Village may want to regulate the quality of the backfill too. Trustee Tucker also mentioned parameters with the size of the cut or how the cut is made.

The Committee asked about the accounting of the Roosevelt Rd project. CFO Lesner said that it is not shown in 2012 but it was encumbered in 2011.

Trustee Hedges asked what % of the engineering staff is paid from the CIP. The Director of Public Works said 50%.

President Pope noted that he understood the \$100,000 for public art was an annual allocation and should be noted as such.

The Director of Public Works talked about road repairs and when microsurfacing is used. The Committee talked about the use of CDBG funds. Staff noted that in a few years there may not be any streets in the CDBG area and instead those dollars will go to the Water & Sewer fund. The Committee asked for a report on the sources of funding for streets as it relates to CDBG, Federal and local shares, etc.

The Committee asked about the street rating system and what is the “number” we strive to reach. Staff stated between 75 and 80 and approximately 1/3 of the streets are below the 70 rating. The Committee noted that the current funding levels appear to be a slow pace to reach our target. Staff noted that we have over time accelerated the program but the challenge also becomes in the future years when all the streets fail at the same time. Trustee Hedges said that one way of looking at that is you just do it now and then worry about it in 20 years – the decision is the same now or in 20 years. President Pope asked at what point do we reach “80” at our current pace and what does an accelerated program look like. Staff noted that an option would be to detain other major projects.

In general, staff clarified that the entire document is written in “2012” dollars.

There was discussion about the CDBG process and the across-the-board cuts. The Committee expressed an interest in having this discussion with the entire Board. Interim

Manager Pavlicek said that the 2013 program year may be difficult to change but the discussion could be arranged in time for the 2014 discussion. This would be a policy discussion of the Board that is provided to the citizen commission the CDCAC, who helps select the recipients.

Staff discussed the alley rating system which is similar to the pavement rating system and process. The Committee explored the idea of moving the rating 1 or 2 points (from \$600K to \$800K for example) and moving from 8 to 10 alleys. The Committee asked for specific data on how the score might improve for alleys by adding 2 alleys per year. Staff noted that in some years the budget for alleys was as high as \$900,000.

President Pope asked about a functional bike plan that is coordinated with the school. The Director of Public Works said this item is also with the Transportation Commission. Also, the Director of Public Works stated that the traffic calming issue (also recently reviewed by the Commission) needs a conversation with the Board.

Staff talked about the LED lighting in the Village. The Committee inquired if the entire Village could be re-lamped with energy efficient lighting. The Director noted it is at least 10 years out; products are still being tested.

The Committee noted that the EAB program needs to be included in the CIP. Staff said this will be a reality in the next 2-3 years.

B. Debt Analysis

CFO Lesner talked about how the Village would pay for a comprehensive CIP. How much is too much? What is the process the Board would go through to make those decisions? In what manner do we issue debt?

The Committee asked at the next meeting we look at how much debt there is for the Village and layer on all of the taxing districts. What is the overall projected debt? What is the debt service looking forward?

Other issues discussed: What does this do to our tax levy when we issue debt? What are ratios others have in other towns, what do we want to compare ourselves to? Sometimes the debt is end-loaded because may refinance, or maybe made flatter; usually you don't want to fluxuate. Trustee Hedges suggested making a Board policy regarding this topic.

CFO Lesner said he will bring forward an efficient process that defines what we are bringing forward, prior to issuing debt, what do we look at, what is our trajectory, etc. What is checklist before we issue debt? Are there factors outside of our control effecting our debt rating, such as overall debt of other districts, etc.

C Performance Measures

The Committee noted that parts of the performance management system are integrated into the Village Manager evaluation, which was then distributed.

Staff talked about getting a recommendation in front of the entire Board on this issue. Not necessarily a full presentation but an understanding of where we are going (a summary of the last two Finance Committee mtgs) and then Board acceptance. The Committee agreed to move forward.

President Pope said that there is a critical link with the governance level and ideally needs to be ready in time for budget. For example, for street improvements, what will be the rating of the street and what will that cost or what will the cost increase to, to achieve the new rating. We need to set expectations with the manager and staff. We need to change in short order and have a level of accountability in the organization from the top down. It is both a manager tool and a tool for the Village Board. There are some departments or service areas that at different levels/stages but are critical for performance measures. For economic development, what does success look like in our plans? How will we be evaluating our progress against it?

Staff agreed to then go forward with the pilot program approach as presented and will return to the Board with an update.

The meeting adjourned at 10:15pm.