

APPROVED

Finance Committee Meeting
Thursday, April 26, 2012
Room 130, Village Hall

I. Call to Order at 7:00 p.m.

Present: Trustee's Tucker, Brewer, Trustee Hedges, President Pope (7:10pm)

Also Present: Cara Pavlicek, Interim Village Manager, CFO Craig Lesner, Deputy Village Manager Lisa Shelley, and James Harris III, Budget and Financial Manager

II. Approval of Minutes: No minutes were provided. All minutes will be reviewed at the May 3, 2012 meeting.

III. Public Comment: none

IV. New Business

A. First Quarter Review

CFO Lesner introduced the new staff member, James Harris III, Budget and Financial Manager. Mr. Lesner gave an overview of the document and the new format which focuses on major funds of the Village budget.

Revenues

President Pope asked/clarified the Property Tax Revenue is shown is just a cash basis issue and not that we are expecting to be "over". CFO Lesner stated that with many of the revenues, it is a case-by-case basis and the we don't expect better than originally thought. As a suggestion, the Committee recommended only highlighting those with issues in future reports (i.e. the property tax issues is strictly only related to timing and not a real issue).

Trustee Brewer asked staff to define our tolerance level. What if there are numbers outside of a particular range? Are there variances by Quarter? Mr. Lesner discussed what factors are considered and why a particular fund may have a variance. It is a projection issue/empirical data (i.e. happenings in housing taken by surprise). There is an internal checklist - we ask *does this make sense, are there consultant fees not spent, is staff waiting longer than usual to bid for some reason*. We then would talk to the departments and verify the information.

Trustee Brewer asked how many periods would you let go before bring forward adjustments or budget amendments to the Board. When does the situation effect other departments? CFO Lesner stated that in the 1st Quarter it is more difficult and more variances in general. Yellow means "cautious- not ready to call it green or red", so I would wait. There also may be some history carried over from previous years (i.e.

parking ticket revenue currently) so I would need time to decide and confirm if a variance is a consistent change long-term. Some taxes fluxuate such as the real-estate transfer tax and other are very consistent in Oak Park, such as sales tax revenues. Interim Manager Pavlicek also mentioned that during these times internally the Manager may decide to slow down expenses and see what occurs in Q2 or Q3. We may be internally cautious. Trustee Hedges noted also that last year there were positions that were authorized and not filled timely, such as in Parking. That can be problematic too. Manager Pavlicek stated we need to decide what is related to policy and what is related to a staffing issue.

Related to the drop in parking revenues, Trustee Hedges asked if we should not look at our General Fund and say that we will not meet our original goals/projections. Interim Manager Pavlicek said we will know more next Quarter. Trustee Hedges thought that maybe people are looking at downtown differently or the culture is changing (due to this lack of enforcement due to vacancies). Manager Pavlicek mentioned that currently there is 1 PEO managing 4,000 spaces. President Popes asked that monthly reports are being reviewed by Departments that may not be picked up by the CFO and issues are being forwarded. Manager Pavlicek stated that the Department has been bringing this to staff's attention for some time. Trustee Hedges asked Ms. Pavlicek if the bottleneck is found and discovered and you are fixing it. Manager Pavlicek stated that there are issues with filling vacancies and there are hard conversations to come

Trustee Tucker asked about the projections and if they are simply divided by 4 or are the seasonal projections worked in. Mr. Lesner stated that in most cases the seasonal projections are worked in but it is difficult; not all revenues are seasonal in the same way.

As mentioned before, sales tax is incredibly stable and parking fines are seasonal and to some extent real estate transfer tax is seasonal but not as once estimated. The only "RED" issue is the parking fines at this point. We have a working group established on this issue to monitor the issue.

President Pope asked what would be the code if revenue is significantly out-performing – would we still call that Yellow. CFO Lesner said he would still call that Green in the First Quarter because it meets or exceeds expectations; then as we move into the Second and Third Quarter, if we are confident the increase is systemic, then we bring an amendment to the Board to be officially recognized. The Committee had more discussion on this issue and thought that staff should consider a way to identify those revenues that are out-performing; it isn't the same as those that are meeting expectations necessarily. Maybe asterisk it somehow or explain it in the comments. Trustee Hedges asked if a perfect sheet is all Yellow? CFO Lesner said Green.

All agreed the new format and presentation is helpful. President Pope added a suggestion that showing trends over a two year period is helpful on a quarterly basis;

such as in a line-graph – maybe not in all areas but in certain areas where we have issues or questions.

Expenses

Overall we are below in expenses; 14% below on personnel costs due to vacancies for one reason or another. We don't budget for the full approved staffing in the budget, even if authorized, if we know they will not start in the 1st Q for example (i.e. officer in the academy scheduled to get out in March) or we predict that the hiring process will take some time.

Again, any variances noted in the document are all relative to where they were projected to be. President Pope asked to what extent Departments aware of the monthly or quarterly are reporting. CFO Lesner said it is based on size and skill set. Larger departments may have staff to assist in budget more than other smaller departments. Manager Pavlicek said that on May 8th she has called for an all-day staff retreat on finances in preparation of the budget. In addition, monthly department reports will begin again. Trustee Hedges said that departments should be responsible to maintain and manage budgets. It is a problem if a small department can't look at budget and know where they are. CFO Lesner said over the years the process has been centralized to decentralized. It is a collaborative process; some some departments need help and have fewer resources to account for it on their own; it is not an intellectual issue. President Pope confirmed that it is important that Department proactively look at budgets monthly. The Committee confirmed in general that it is important that department heads need to know how to do it as a department head. Manager Pavlicek noted gain that we are reminding them of this expectation now and Finance will start to produce the monthly reports for distribution.

President Pope asked how long does it take to closeout a month. It depends on the closeout; some expenses are a quick process, others, such as in parking, take 6 weeks.

The Committee recommended changes to the formatting (p.21). Maybe change the header to explain what "red" means – it is good in this sense.

The Water Fund (p29), the revenues much higher than the Village thought for first year. As you recall Chicago raised their rates 25 % Chicago and the VOP 16%. Trustee Hedges asked for an update on where this issues stands with litigation.

CFO Lesner mentioned a new program to change the meters to allow the Village to be read in a couple days; with the goal of wanting to reduce the overall purchase of water. The Sewer fund revenues feed off of the Water Fund primarily.

The Parking Fund is still Yellow. Staff is unsure if it is a short term effect of something happening. This is not influenced by the Fine issue.

Related to Solid Waste, President Pope recalled when the Village tried to consolidate commercial waste hauling to reduce the amount of overall truck traffic with multiple vendors but to also reduce costs for the owners; it was in excess of a 20% savings. Maybe we can revisit this issue.

CFO Lesner mentioned that this document will be available on the web.

B. Performance Measures

Manager Pavlicek introduced the issue and stated that internally we need to solidify a performance metric program. Trustee Hedges asked from a policy standpoint how does a system maintain itself? He remembers seeing it but never using it for a basis to measure departments; these things come and go; managers and boards come and go. How do we institutionalize this? It seems like a lot of work and then it goes away or someone new comes along and starts it new again. Is there a way to not start over again? Manager Pavlicek mentioned some ideas, including making it part of the code such as other important issues the board chose to recognize and maintain such as the Community Relations Department.

President Pope added that many do performance measures and do it successfully. He does not prefer the 2006 report and believes it has limited value the way it is framed. There needs to be a commitment to be a core part of budget process in which you look at dollars and impacts. The success is up to everyone - Board, Mgr, Department Heads. Tie this issue to job security, if it doesn't exist you are subject to what people saying in supermarket. The system should be a transparent marker of how we are performing.

Budget & Financial Manager James Harris walked the Committee through his ideas for starting a system and the steps involved (see attached). He discussed moving the organization from the current approach and common reasons why it doesn't happen. His approach has three main goals, one, improve village service; two, increase resource efficiency; and three, and develop goals for services. You need to develop an organized approach and get organizational alignment (boards to staff). Otherwise the system will sit on a shelf and have lack of engagement. You need to engage people appropriately.

The dashboard on a car is a good example, if something is wrong, it doesn't tell u what exactly is wrong but it is a start to fixing it.

Trustee Brewer asked what will be the union's role. Mr. Harris explained that regular meetings are part of the process.

Mr. Harris then walked through his timeline. Some cities start at the back -end and just contact cities who have done it and just institute those. Mr. Harris recommends creating our own program; this is the beginning of the whole processes; the next stage is deploying the process.

Trustee Tucker was curious why this was in Finance. He didn't see the connection. Manager Pavlicek stated that it is a good connection with the budget process. There are other ways to formalize the process such as code amendments, department director & manager evaluations, etc.

Mr. Harris recommended starting the process with just 1 or 2 departments. Then, these departments would be the example for the rest of the departments next year. There are some departments that already do this well and collect data (i.e. Police, Fire, PW) however there are some areas, such as Economic Development, that would need more time and are not as easy. Trustee Hedges clarified that staff is suggesting only have 1 or 2 departments have measures for this year. Staff confirmed. Trustee Hedges asked then if this process is intended to run with the budget schedule in future years. Staff clarified that this first year would be to establish the process and then in future years you would continue with the existing program (i.e. you wouldn't need all the steps outlined for year one).

President Pope cautioned against delaying the process too far in the future. There already should be some degree familiarity at the 30,000 ft level to have a report card or dashboard metrics ready now; the Board doesn't need the operational level metrics. The Board only needs 2 or 3 measures -key high level measures - for this budget cycle. Economic Development is a perfect example of why we need key indicators to guide our decisions that are approaching fast.

Trustee Hedges asked if there is a public piece to this process or budget. Staff said that for the short term we can certainly use the community survey that was completed recently and the next survey will coordinate with any new performance measurement program metrics.

President Pope referenced back to the 2006 document; look at that document and decide what is good and what is not good (i.e. the real estate transfer tax is miss-assigned to the Clerks Office). Maybe we should have more about econ development and housing; departments picked their own metrics and this could be a flaw. It will be a profound failure in the process if this isn't produced. At the end of day why do people feel good about paying for the department's budget -what are people getting for the taxes? For example, what is the size of the department and how does it compare to other similar operations in other departments or similar cities. In previous budget sessions, the BPS Department stated they had more FTEs than most suburbs in Chicago- why? Does it really make sense to have level of resourcing dedicated to that operation when we are told that Schaumburg, Elgin, Aurora, have less? What are the operational metrics for department? How much spending, how many permits, how quickly is the turnaround time?

Trustee Hedges stated that it will be important to identify the Board's role in the performance measurement process. We don't want to get into the weeds.

C. Other

Manager Pavlicek gave an update about a meeting held with the gas station owners.

V. Old Business

D. Revised Budget Calendar

There are still revisions required. A new copy will be sent to the Board in the mail on Friday.

Meeting adjourned at 9:19 p.m.