



## FINANCE DEPARTMENT

**MAYOR**  
George D. Alpogianis

**VILLAGE MANAGER**  
Joseph S. La Margo

**VILLAGE CLERK**  
Marlene J. Victorine

**TRUSTEES**  
John C. Jekot  
Joe LoVerde  
Danette O'Donovan Matyas  
Craig Niedermaier  
Dean Strzelecki

### Finance Committee Meeting Minutes Village Hall Council Chambers April, 6 2022 8:00 am

#### Call to Order

Chairman Joe LoVerde called the meeting to order at 8:00 am.

#### Roll Call

Management and Budget Analyst Conor Schultz called the roll for Committee Members:

**Committee Members Present:** Chairman Joe LoVerde, Alan Weel, George Van Geem, Jack Drexler, and Robert Callero

**Committee Members Absent:** None

#### Old Business

None

#### New Business **FY21 Audit Review**

Ed Tracy from Selden Fox was present, via Zoom, to review highlights from the FY21 Audit Report. He reviewed Governmental and Business type activities. He also reviewed the Budget to Actual Report and stated that the majority of the Departments were under budget

Mr. Tracy said the Milwaukee Touhy TIF had closed at the end of calendar year 2020 and, therefore, the property tax increment revenues within that TIF should have stopped. However, Finance Director Kent Oliven notices that Cook County continued to send those property tax increments in error and that the money would need to be returned.

Mr. Tracy continued with reviewing the fund balances for the Police and Fire Pensions. He said the Police Pension was 44.49 percent funded and the Fire Pension 48.41 percent funded at the end of the year.

Chairman LoVerde asked what a reasonable fund balance percentage should be. Mr. Tracy said that 33-50 percent of annual expenses is a comfortable position to be in. Chairman LoVerde asked Mr. Tracy about the Management Letter the Village received from Selden Fox. Mr. Tracy responded that a material weakness was identified during the audit period, as the fiscal year 2019 sale of the Ballard Pump Station had been previously been left off the books in error. He said it had been recorded as a revenue instead of a sale of

a capital asset. Finance Director Kent Oliven said they Village's Senior Accountant was not made aware of the sale of the property by the previous Finance Director, but did not think this was more than a one-time error. Mr. Tracy agreed..

Chairman LoVerde asked Mr. Tracy about the delay in getting the FY21 audit draft to the Village. Mr. Tracy took full responsibility for the audit delay and said it was due to time and staffing issues with Selden Fox. The Chairman also asked why Selden Fox didn't submit an RFP for audit services. Mr. Tracy said it was due to current staffing issues and because he would not want to repeat our current situation of not being able to provide a timely response.

### **Class 6b Tax Incentive Application**

Economic Development Director John Melaniphy presented a request from AMT Group and Imbibe RP, LLC for a Cook County Class 6b property tax classification in order to create an Imbibe campus along Croname Road at 7350 Croname Road, 7400 Croname Road, and 7449 Natchez Avenue. The property at 7350 Croname Road received a Class 6b Resolution in 2014 and is in its eighth year. Due to their continued growth, they purchased the property to expand operations. The anticipated cost of renovations is approximately 4,000,000. Imbibe hopes to commence renovation in late spring 2022. Attorney Alan Skidelsky from Skidelsky & Associates was present to answer questions on behalf of Imbibe. The Committee asked about the previous Class 6b given to 7350 Croname. Mr. Skidelsky said they would not receive the benefits from years ten, eleven, and twelve of the previous Class 6b.

The Village's Economic Development staff strongly supported the project and requested the Village Board approve a resolution for a Cook County Class 6b classification for all three properties to assist Imbibe with their growth objectives.

A motion was made by Jack Drexler, seconded by George Van Geem, to recommend a Cook County Class 6b incentive for all three properties to the Village Board for approval. On roll call, all concurred.

### **Review and Recommendation to Board of FY23 Budget**

Management and Budget Analyst Conor Schultz presented the fiscal year 2023 (FY23) Operating Budget. He said there was an eight hundred seventy-five thousand dollar (\$875,000) decrease in the General Fund from the previous year. He discussed expenses from the individual funds. The Committee members asked questions. Mr. Van Geem asked if the significant increase in property taxes will get the Public Safety Pensions fully funded by 2040. Finance Director Oliven said the funds would be fully funded by April 30, 2040. Mr. Callero asked where the quarter percent (0.25%) sales tax revenue is shown in this FY23 budget. Mr. Oliven said it is within the \$1.53 million and cannot be broken down because it includes the municipal cannabis retailer's occupation tax (MCAN), and the exact amount cannot be given due to legal and privacy issues. Chairman LoVerde added that the Village had not used the quarter percent (0.25%) for its original allocations, that the Village started using it in other places, and now the Village had to raise property taxes by eighty-eight percent (88%) to pay for pensions. He said we didn't use the taxpayer's money properly and now we are doing it again. Chairman LoVerde also said the Committee never received any sort of

report concerning potential revenue enhancements, or any other options to reduce the eighty-eight percent (88%) tax increase.

Village Manager La Margo said that the increase to the tax levy for public safety pensions and the bond issuance for the road project are based on the Village failing to make the recommended actuarial contributions to the pension and deferring road projects many years ago. He added that staff has worked hard to reduce the Operating Budget and be more realistic and in-line with actual spending. Mr. La Margo said staff is being diligent to prevent similar outcomes in the future.

Al Weel left the meeting.

Chairman LoVerde asked about the Vehicle License line item in the Auto Fund being lowered by two hundred sixteen thousand dollars (\$216,000) from last year. He asked if we were so far off in our budget or if we just didn't collect for those licenses. He said we shouldn't just lower the budget, we should try to find out why. Mr. La Margo said staff is talking to the Village's vehicle sticker software and lockbox vendor Third Millennium about additional enhancements available to be sure the Village is collecting on all vehicles.

Chairman LoVerde opened discussion about ways to reduce the property tax levy. He said if the Village had received the audit back in October, the budget process would have gone differently on the Committees part. He said the Committee would have been aware of the leftover funds from the FY21 budget—the General Fund reserves in excess of the required fund balance. He said he is not blaming staff. Chairman LoVerde said that if the whole Finance Committee is not in agreement with the proposed fiscal year 2023 (FY23) budget, it does not need to be voted on today. He said the budget and the levy can be adjusted, and a budget appropriation ordinance be passed in May. Chairman LoVerde asked if the levy will go up every year. Finance Director Oliven said that the Police and Fire Pensions recommended contribution will now be levied so the levy will increase marginally annually to account for increases in salaries. He also stated that the levy has already passed—it passed in December 2021. Mr. Oliven said the Fund Balance Policy could use some revisions going forward and it should be done before the next property tax levy. Village Manager La Margo said that if the Finance Committee agrees with how the budget looks today, he would recommend to pass it and make a recommendation to the Village Board for approval. He suggested revisiting the Fund Balance Policy later and possibly abating taxes during the appropriate window. Mr. La Margo added that the benefit of passing the budget on to the Village Board today is so the departments know what they are spending when the new fiscal year begins.

**Review Fund Balance  
Recommendation per Ordinance**

Finance Director Kent Oliven began by stating that the Village's General Fund Reserve, at the end of FY21, was in excess of the Village's current Fund Balance Policy. That policy requires that an amount equal to forty to forty-five percent (40%-45%) of expenditures for that fiscal year be held in the General Fund. He said that according to the current policy, the Finance Director is required to suggest adjustments to the subsequent proposed budget. Mr. Oliven proposed adjusting the FY23 Budget by \$9,694,682 of the excess fund balance. He stated the three main reasons for the excess funds include the previous underfunding of three funds, the holding back of spending during the

pandemic ,and sales taxes coming in better beginning the last two months of FY21.

Mr. Oliven said his recommendation is to resolve any fund balance debt from the previous underfunding of the Municipal Waste Fund, the Street & Bridge Fund, and the Risk Management Fund. He said the Capital Improvement Fund will not have a net liability balance at the end of the FY22 but expenditures will exceed the FY23 transfers and the Capital Improvement Plan would eliminate this debt. Mr. Oliven stated several recommendation to erase all of these debts. He recommended transferring some of the excess to the Risk Management Fund to maintain a minimum balance of \$250,000 and transferring to the Automotive Fund to maintain a balance of two million (\$2 million) to prepare for future vehicle replacements. He also recommended creating a Health Insurance Reserve Fund at the suggestion of HUB International, the Village's consulting firm. Lastly, Mr. Oliven recommended transferring the remainder to the Police and Fire Pension Funds, in equal amounts. Mr. Oliven added that if the Finance Committee agrees with his recommendations, the adjustments would be included in the FY23 Budget that goes to the Village Board.

Mr. Van Geem asked if a true-up can be done to charge back the Departments so the operating funds reflect the true costs instead of just doing a balance transfer. Village Manager Joe La Margo stated that there would be a fund balance transfer with this budget but that moving forward, the budget would be charging the correct funds accordingly. Chairman LoVerde asked if we could lower the percentage of the forty-eight million dollar (\$48 million) expenditure and have less than a thirty-two million dollar (\$32 million) fund balance in the reserve fund. Mr. La Margo said it could be possible being the fund balance can be between forty to forty-five percent (40%-45%) but said staff is trying to get to a baseline to start fresh and move forward. He said the Departments were diligent to budget the right amounts of money in the correct accounts. He added that staff will bring quarterly reports to the Committee for review.

Chairman LoVerde said he recommends revising the proposed recommendations by taking ten million dollars (\$10 million) out of reserves to allow for taxpayer relief for Village residents. Mr. La Margo said staff is trying to help the residents in the long run, which means paying more now. Chairman LoVerde said he is looking for relief for the citizens right now because we are in an inflationary period and prices on everything have gone way up.

Mr. Oliven said he does not agree with just lowering the tax levy right now. He said one-time dollars to lower a long term plan is not going to solve the problem. He suggested having a discussion on Fund Balance Policy well in advance of the next levy to find the best ways to reduce the burden on the tax payers. George Van Geem suggested to put the Fund Balance Policy on hold, to allow time for more discussion, and then do a budget amendment, if needed. Chairman LoVerde agreed and stated that the Budget Appropriation Ordinance has not been passed. He said the Committee will meet again for more discussion next week.

Mr. La Margo said staff is recommending the budget appropriation ordinance because it is more detailed and more transparent. He added he does not want staff to start spending dollars unless there is a contingency on it.

Chairman LoVerde stated that \$300,000 was spent at the March 31<sup>st</sup> Board meeting without an appropriation ordinance. Mr. La Margo said there was a protection added in the contract that stated if the appropriation ordinance was not passed, the Village would not be liable to make the purchase.

Chairman LoVerde said, for the record, there was a finance related situation at the March 31<sup>st</sup> board meeting where the Village Board approved an expenditure of two hundred seventy-eight thousand dollars (\$278,000). At the meeting, Chairman LoVerde asked the Village Attorney, Danielle Grcic, if the Board had the authority to bind the Village to an expenditure prior to an appropriation ordinance and prior to the budget being adopted. It was his understanding it could not be done. Chairman LoVerde emailed the Village Attorney, Danielle Grcic. Her response stated there is not an ordinance that regulates this type of situation and the Village has a right to cancel the contract. Chairman LoVerde wanted to know if the Board has the right to bind the Village, regardless of what the contract says. Ms. Grcic said yes. She said what the board approved was an expense that is confirmed if the appropriation ordinance is passed for the FY23, and if it is not passed, the Village has no obligation under the contract. Chairman LoVerde said he does not agree and said he voted no at the board meeting when the motion was made to approve this purchase.

Mr. Van Geem asked about the state statute. Ms. Grcic said the state statute holds that corporate authorities can spend the money in the first quarter of the fiscal year if the appropriation ordinance isn't passed. Village Manager La Margo added that it is not ideal, but can be done.

**Approval of Minutes**

The minutes from the March 29, 2022 and March 16, 2022 Finance Committee meetings were presented for approval. A motion was made by George Van Geem, seconded by Bob Callero, to approve the minutes. All concurred. Bob Callero left the meeting.

**Accounts Payable Approval**

Accounts Payable registers for 2022- 02/25, 03/04, 03/11, 03/18, 03/25 were presented for approval. Chairman LoVerde stated that the approval of the Accounts Payable registers will take place at the Finance Committee meeting on April 13, 2022.

**Other Business**

Finance Director Kent Oliven said the Debt Management Policy and the General Obligation Bond Ordinance will be discussed at next week's meeting on Wednesday, April 13 at 7am.

**Public Comments**

None

**Executive Session**

None

**Adjournment**

A motion to adjourn was made at 11:03 am by George Van Geem, seconded by Chairman Joe LoVerde. All concurred.