

VILLAGE OF OAK LAWN, ILLINOIS  
VILLAGE HALL CONFERENCE ROOM A  
**FINANCE COMMITTEE MEETING MINUTES #2012-03**  
**TUESDAY - AUGUST 7, 2012**

**I. ROLL CALL:** by Village Clerk Jane M. Quinlan at 6:00 p.m.

Village President:	Dave Heilmann	
Village Trustees:	Thomas E. Phelan	Carol R. Quinlan
	Thomas M. Duhig	Alex G. Olejniczak
	Robert J. Streit-departed at 6:49 p.m.	Cynthia Trautsch
Village Manager:	Larry R. Deetjen	
Finance Director:	Brian Hanigan	
Budget Director:	Joanne Suczynski	
Village Treasurer:	James McGovern	

Finance Director Hanigan discussed that representatives from McGladrey & Pullen would be at the meeting tonight to discuss and answer questions regarding the recent audit. Standard & Poor's lowered us from an A+ to an A based on the negative fund balance we had, but that has been addressed. Some of the collective actions that the Village has taken will prevent this from happening next year. The rating was based on the December 31, 2010 financials. They have all of the information from 2011 and the first six months of 2012 which have been good.

The Board discussed two TIF amendments which would include the Edgar property and Village Green area property adjacent to the Train Station TIF, Commuter Station TIF and the Triangle TIF. Finance Director Hanigan would like to get this done by the end of the year.

John George, Tara Leja and Adam Metz from McGladrey & Pullen discussed the timing of the report and right now they are about two weeks ahead of where they were last year. The report will be issued by the end of August, 2012. A draft of journal entries has been provided to management. There are 90 journal entries posted to the audit this year, versus 46 in the prior year. The implementation of GASB 54 took place, which means that some funds were combined into the General Fund or the Commuter Parking Lot Fund. There were a lot of adjustments to transfers and debts in the report.

The audit opinion is now in draft form, and the auditors do expect to have a clean opinion. The statement of net assets was discussed. In the long term liabilities, there is a large number of \$17.3 million dollars for the net pension obligation and that has gone up this year approximately \$6.3 million dollars from last year and that represents the police and fire net pension obligations, as well as some obligation related to the IMRF Fund. The IMRF pension obligation is \$13 million dollars. Underfunded pension obligations are \$80 million dollars. The post retirement health where we bridge people from the day they retire to Medicare is another \$31 million dollars. Finance Director Hanigan stated he is working with an actuary for a funding policy regarding pension reform.

In the General Fund, the total revenues were \$44.5 million dollars this year. There has been a lot of movement of funds to the General Fund because of GASB 54. The three funds that were eliminated were garbage and refuse, the Commuter Parking Lot Fund and the Capital Equipment Fund. Expenditures this year were \$44.7 million dollars compared to \$39.6 million dollars last year. Last year the net of revenues and expenditures came out to a \$2.1 million dollar deficit in the General Fund and this year that deficit is down to just under \$200,000 dollars. Transfers were discussed and there was a footnote detail of all of the inter fund transfers.

Finance Director Hanigan discussed the letter he received from Standard & Poor's which was issued this afternoon and also from Moody's from our debt offering in January. This is the start of addressing the issues that they have in those reports. We will have a positive fund balance and obviously the reports do not reflect some of the positives of the first six months of this year.

Tara Leja pointed out one other notable fund which is the Capital Improvements Fund where the Build America Bond proceeds are and the spending down of those funds. That fund accounts for a big portion of the drop of fund balances for all governmental funds. They accounted for about \$11 million dollars of that loss. The fund balance is coming down as the capital projects are being incurred. She also discussed that there was not a lot of change in the Water and Commuter Parking Lot Funds. Investments were discussed with the pension funds and the net assets available for pension benefits. Footnote disclosures were also talked about and they are instrumental to the report.

Tara Leja referenced a recap of the budget to actuals of the General Fund, revenues and expenditures. That is a support of what happened in the General Fund for the year. Also discussed was that the auditors had to select which programs are considered major and there was one that they audited. They are also required to report any financial statement findings in this single audit report that come up during the course of the audit.

Finance Director Hanigan stated that the management letter has his responses to the findings of the audit.

Tara Leja stated there was not a lot of change from last year to this year regarding the audit. The Village will make recommendations on how they want to go forward.

TIF reports were discussed regarding the five TIF's the Village has. Finance Director Hanigan stated all of the TIF's were refinanced, but a couple of the TIF's did not have the cash to pay their own debt which resulted in the General Fund funding a portion of the debt. That led to a lot of inter fund transfers.

John George discussed that McGladrey & Pullen will be at the Board of Trustees Meeting on August 14, 2012 for a brief presentation.

Trustee Streit discussed that the Public Works Committee and Trustee Duhig who was also present, did agree that we did need to increase the gas tax to continue the street repaving and infrastructure program.

Trustee Streit departed the meeting at 6:49 p.m.

President Heilmann asked Finance Director Hanigan if the Village is hiring an employee that was budgeted for in the Finance Department, which McGladrey noted as a deficiency.

Finance Director Hanigan stated that there were two major deficiencies. The first one was manual checks and Mr. Hanigan stated that the Village will not be able to get away from doing this. He felt the Village should have the ability to be able to issue manual checks. The second deficiency was the journal entries and some of the staff does not have accounting backgrounds.

Village Manager Deetjen stated we do not have a professional accountant besides Finance Director Hanigan and Budget Director Suczynski.

Trustee Phelan stated with the person that was in the Finance Department before, there was a deficiency because of the number of mistakes that originated in that particular position over the years. Finance Director Hanigan stated there was an accounting error made regarding the Januszewski settlement.

The Board discussed filling that budgeted position in the Finance Department.

**II. APPROVAL OF MEETING MINUTES: FINANCE COMMITTEE MEETING DATED MAY 1, 2012:**

Trustee Quinlan moved, seconded by Trustee Phelan to approve Finance Committee Meeting Minutes #2012-02 dated May 1, 2012 and authorize the Village President and Clerk to sign same.

**ROLL CALL:** TRUSTEE PHELAN-YES TRUSTEE QUINLAN-YES  
 TRUSTEE DUHIG-YES TRUSTEE OLEJNICZAK-YES  
 TRUSTEE STREIT-ABSENT TRUSTEE TRAUTSCH-YES

**MOTION PASSED 5-0**

**III. SUMMARY AND REVIEW OF THE VILLAGE CASH POSITION AND ACTUAL OPERATING RESULTS FOR THE FIRST HALF OF THE YEAR VS. THE 2012 MUNICIPAL BUDGET AND VS. 2011 RESULTS:**

Finance Director Hanigan discussed the big positives and negatives. He stated there were a lot of positives. Our revenues are running approximately \$1.2 million dollars ahead of budgeted revenues at the end of June. We are not just ahead of budget, but we are also ahead of last year's sales tax pace by approximately \$100,000 dollars. The state is beginning to make payments, so we are actually almost caught up on our income taxes. Regarding property taxes, from a timing stand point, we get 55% of our property tax levy. For this year's budget in the detailed quarterly, we still have to look at budget allocation timing.

Village Manager Deetjen discussed the Planning & Development Commission Meeting that was held last night regarding Phase II of the Advocate Christ Medical Center expansion. The meeting went well, but dealing with a \$600 million dollar project, you will have obstacles. In the Village's budget there is a number, and that action requires action from Oak Brook. Advocate has hired one of the better zoning attorneys and he is a professional. The Advocate attorney has made recommendations to his client (Advocate) and Mr. Deetjen will get back to the Board with his feedback from Advocate. Mr. Deetjen explained regarding the Advocate project, we have taken care of the physical community impact and now we have to take care of the fiscal impact. It is important that we do have a number from Advocate regarding an impact fee from them. Mr. Deetjen is confident the Village will get through this and that is the big number out there on the expense side regarding the budget. He will bring this issue back to the Board and the Board will be able to discuss this.

Village Manager Deetjen discussed the firefighters and the appeal process of Judge Martin's decision. The firefighters have made a decision not to exercise their right to appeal. They could take this to the Labor Board, but Village Attorney Jennifer Turiello feels the Village has a strong case.

Trustee Phelan wanted to make sure that Village Manager Deetjen, Finance Director Hanigan and the team get credit for a legitimate million dollar savings.

Finance Director Hanigan stated every department at this time is under budget, including the Fire Department in spite of the overtime issue which is still an issue for the Village. The Finance Department is over budget, but that is due to the timing of the insurance.

Trustee Phelan asked about the Fire Department overtime.

Finance Director Hanigan stated the Fire Department's overtime is at about \$650,000 dollars, as compared to a budget for the year of \$250,500 dollars.

Trustee Olejniczak asked if we were doing any kind of retro pay.

Finance Director Hanigan stated the Village has put in the non-departmental, estimated retro pay at 2.5% for this year.

Trustee Quinlan stated that we need to have 19 firefighters a day in the contract, instead of 21 who are always on duty. Fire overtime will be high because they are given days to take off, not vacation or anything else. They are called OD days. Having 21 firefighters does not work out. Most of the firefighters calling in sick do have doctor's notes. She stated whether there is a doctor in their pocket, she did not know, but what the Village really needs to do is get the Fire Department to agree on a contract to have less firefighters.

Village Manager Deetjen stated Trustee Quinlan is correct that the Village needs less than 21 firefighters daily. We are now running at 21.

Trustee Quinlan stated if the Village negotiates that we will have 21 firefighters on, but if we go down to 19 and we do not have to bring anyone on, this is a great step.

Trustee Olejniczak stated by law the firefighters cannot strike and the next step is arbitration. He felt the Village should go along with the next step.

The Board discussed large payouts regarding claims filed against the Village.

Finance Director Hanigan stated he has three good proposals for TPA's, one of which is CCMSI.

Trustee Quinlan felt CCMSI got off scot-free and she would be mad if CCMSI was hired.

Finance Director Hanigan stated we have a scheduled closing date with Fifth Third Bank with a \$25 million dollar loan which will come in two pieces. \$16 million dollars to refinance the Kmart purchase - \$3 million dollars is Mansard Court, \$2.5 million dollars for the Edgar property, \$10.7 million dollars for Kmart, plus the \$200,000 dollars which was earnest money. That will go back into the BAB Fund and we need to spend that by Sept 4, 2013.

Finance Director Hanigan stated the first six months of 2012 was all pretty good.

#### **IV. INFRASTRUCTURE FUNDING STATUS:**

Village Manager Deetjen discussed that the Board wanted to continue being as aggressive as possible with the street and alley resurfacing and we should take advantage of the low bid rates. He stated the Village should always have a whole program regarding street resurfacing.

Finance Director Hanigan discussed Village projects and what fund each project comes out of and how the funds work. He recommended an increase in our gas tax. He wanted to have a plan and implement it next year.

President Heilmann asked Finance Director Hanigan to send some budget hearing dates to the Board, so we can schedule accordingly.

Trustee Olejniczak asked Finance Director Hanigan what the Village's total number of foreclosures is. Trustee Olejniczak stated he has had an extra 10 foreclosures in the last month.

Finance Director Hanigan stated the Village's collection rate is around 94%. Cook County agreed to do a general conference call on property taxes with the Village. There is timing on how the property tax money comes into the Village.

President Heilmann stated that renters are wrecking people's lives right now. Renters are absolutely destroying neighborhoods by the way they are behaving unless you get to the point of shutting people's water off to get their attention.

The Board discussed rental properties and how so many properties are not taken care of. They also discussed the eviction process. The number of people that live in a house can be a problem also.

Trustee Quinlan suggested having police officers walking in the neighborhoods to keep an eye out and knocking on doors of nuisance houses.

Trustee Olejniczak stated that he has contacted landlords on his own to correct problems in the neighborhood. He asked the Board to look at the nuisance abatement that gives the Village an extra power.

#### **V. ADJOURNMENT:**

Trustee Phelan moved, seconded by Trustee Quinlan to adjourn at 7:52 p.m.

**VOICE VOTE. ALL VOTED AYE. MOTION PASSED 5-0.**