



Leaders at the Core of Better Communities

2015 Local Government Excellence Awards Program Program Excellence Awards Nomination Form

(All programs nominated must have been fully operational for a minimum of 12 months, prior to January 31, 2015)

Deadline for Nominations Extended to March 30, 2015

Complete this form (sections 1 and 2) and submit with your descriptive narrative.

SECTION 1: Information About the Nominated Program

Program Excellence Award Category (*select only one*):

- Community Health and Safety
- Community Partnership
- Community Sustainability
- Strategic Leadership and Governance

Name of program being nominated: Re-Inventing Municipal Government: An Entrepreneurial Small Business Approach

Jurisdiction(s) where program originated: Village of Hawthorn Woods

Jurisdiction population(s): 7,663

Please indicate the month and year in which the program you are nominating was fully implemented. (Note: All Program Excellence Award nominations must have been fully implemented for at least 12 months prior to January 31, 2015, to be eligible. The start date [on or before January 31, 2014] should not include the initial planning phase.)

Month: December Year: 2013

Name(s) and title(s) of individual(s) who should receive recognition for this award at the ICMA Annual Conference in Seattle, Washington, September 2015. (Each individual listed MUST be an ICMA member to be recognized.):

Name: Pamela Newton

Title: Chief Operating Officer Jurisdiction: Village of Hawthorn Woods

Name: Donna Lobaito

Title: Chief Administrative Officer Jurisdiction: Village of Hawthorn Woods



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SECTION 2: Information About the Nominator/Primary Contact

Name of contact:	<u>Pamela Newton</u>		
Title:	<u>Chief Operating Officer</u>	Jurisdiction:	<u>Village of Hawthorn Woods</u>
Street address:	<u>2 Lagoon Drive</u>		
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ICMA 2015 Local Government Excellence Awards Program

Submitted by: The Village of Hawthorn Woods

Re-Inventing Municipal Government: An Entrepreneurial Small Business Approach

Problem Assessment

On April 7, 2009, Village residents elected a new Mayor, with a new vision. Mayor Joseph Mancino and the Village Board were faced with the immediate challenge of addressing a severe financial crisis. The Village had been deficit spending and relying on one-time revenues to fund current operations. As a result, 40% of the employees had been laid off, essential services had been reduced and the general fund balance was at a dangerously low level – 5% of operating expenditures. The Aquatic Center revenue bonds were in danger of default due to insufficient developer donation revenues to make bond payments. The Mayor and Village Board implemented a radical policy change – the Village of Hawthorn Woods would be entrepreneurially managed, like a small business.

This policy change was necessitated as a result of the Village's dire financial condition. With almost no cash reserves, the Village was having difficulty making payroll, even after significant reductions in staff. In addition, the Village was embroiled in several significant lawsuits and was spending almost \$250,000 annually in legal fees. Teetering on bankruptcy, immediate action was necessary.

Program Implementation and Costs

The first step in implementing this policy was assembling a team of seasoned professionals with both public and private sector experience. The Village Administrator and Finance Director positions were both vacant. The first team member recruited was Pamela Newton, MSOL (Master of Science in Organizational Leadership), Chief Operating Officer. The Village Board directed a complete re-organization of Village staff and changed the titles of the

Executive Leadership Team to reflect the entrepreneurial management approach. Kristin Kazenas, CPA, MBA was hired as the Chief Financial Officer & Human Resources Director. Erika Frable, PE was hired as the Public Works Director/Village Engineer. The Village's existing talent – Jennifer Paulus, Chief of Police and Donna Lobaito, Chief Administrative Officer, completed the Executive Leadership Team. Hawthorn Woods became the first municipality in Lake County to use these private sector professional titles.

Overcoming Barriers: The First, and Possibly Only, all Female Municipal Leadership Team

As noted in the Daily Herald article entitled, ***Women Lead the Village of Hawthorn Woods***, "The new hires were hired not because they were female, but because they were the absolute best applicants we had," Mayor Joseph Mancino said. "They really, really bonded. Because they are all female, there's a tremendous support structure not only professionally but personally." The article goes on to note, "The ensemble operates with a tangible sense of unity and purpose where a sometimes manic pace can stretch well into the evening and resume early the next day." This cohesive team was a critical component of the successful implementation process. To date, our Police Chief remains the first and only female Chief in the entire Lake County Chief's Association. The other department heads remain leaders in their professional associations. Once the team was assembled, the transformation began. The Village implemented an organizational restructuring that took several months to implement.

The following policies and procedures were amended to begin the economic recovery:

- Departments were restructured and staff was re-organized based on talent and skill set. Service driven needs of the community took priority as staff members were cross-trained for performance excellence.
- Expenditures were cut through negotiated price comparisons.

- Non-tax revenue initiatives were created, including sponsorships, fund raising, and donation partnership support for Village programs and events.
- The Village realized and benchmarked cost savings in every department, including overtime expenses. Flex scheduling was a critical tool used to reduce overtime salaries.
- A zero based budgeting approach was implemented and each line item was critically examined.
- All purchases required three competitive quotes to ensure the best possible pricing.
- Vacation and sick benefits for non-union staff were changed to a private sector model paid time off (PTO) policy. Accrual of sick days, vacation carryovers, and cash-out options were eliminated.
- A new pay-for-performance compensation policy, based on public and private sector salary data, was adopted.
- A new cost-sharing model was implemented for employee benefit premiums. The Village and the employee shared in medical, dental and vision premium increases and decreases.
- New non-tax revenue opportunities were explored, and a utility tax was implemented to ensure successful refinancing of the Aquatic Center bonds, funding for the police pension liability, and capital projects.
- All of the outstanding lawsuits were successfully resolved and the annual litigation budget was reduced by 70%.
- All members of the Village staff worked tirelessly, often seven days a week, to achieve our goal of building team and performance excellence.

The policy change has been an unparalleled success. The Village has recovered from a precarious financial position, teetering on bankruptcy, to a building renaissance, poised to capitalize on new development, both residential and commercial. The Village celebrates this significant financial turn-around and its sustainability. We are confident we will continue to achieve success, guided by the Mayor and the Village Board, to serve with excellence inspired by our entrepreneurial vision.

Measurable Outcomes of the Program

The primary metric used to evaluate the success of this policy change was the Village's general fund balance. This metric improved from a low point of 5% (\$179,353) as of December 31, 2008 to 45% (\$1,755,584) as of the December 31, 2013 audit. This was a dramatic turnaround in only five years.

Lessons Learned

There were several obstacles that the Village of Hawthorn Woods had to overcome when implementing this new vision, as follows:

- **Entrepreneurial focus.** As a learning organization, all departments needed to re-think government *not* as usual and focus on a customer service core business provider model.
- **Staff re-organization.** As a result of a 40% reduction in staffing in 2007 and 2008, there were many inefficiencies in work process inherited from the previous administration that needed to be remedied. The remaining staff ("the survivors") were fearful and stressed.

- Zero based budgeting. Many excruciating hours were spent educating the organization on a zero based budgeting approach. In the past, the Village budgets were lacking narrative or detail and every year, the line items were increased by a fixed percentage, resulting in wasteful spending.
- Employee benefit changes. Employees initially had an unfavorable view of the paid time off (PTO) benefit with a “use it or lose it” provision. A significant time investment was required to educate employees about the benefits of a PTO approach.
- Mandatory three price quotes for all purchases. Staff was re-trained to obtain a competitive price from at least three vendors for all purchases from office supplies to vehicular equipment. The prior focus was on maintaining relationships with vendors, often at the expense of the best price.

The Village of Hawthorn Woods greatly appreciates the opportunity to apply to ICMA’s 2015 Local Government Excellence Awards Program. Demonstrating excellence is at the heart of our Village. We celebrate innovation, and take pride in overcoming barriers. Our program has significantly improved both operations and village services by transforming a severe financial crisis into creating a successful entrepreneurial management approach, to breaking down stereotypes and supporting women in legislative government. We are proud to demonstrate strong leadership and excellence in our rapidly growing community.

This entrepreneurial vision has resulted in dramatic yet sustainable results. We are proud to serve on this team that strives for excellence by building a financially secure, strong community for the future of Hawthorn Woods.