

**Village of Hinsdale  
Finance Commission  
Minutes of Meeting On  
November 1, 2007**

Members Present: Chairman Kane, Commissioners, Jurgenson, Kushner, Savickas, and Wagner

Members Absent: Commissioners Aggarwal, Waldo, Vernick and Bauschard

Staff Present: Doug Cooper, Assistant Village Manager/Director of Administration

Others Present Trustee Bob Schultz

Meeting Called to Order.

**Approval of Minutes**

A motion to approve the minutes of the August 6, 2007, September 5, 2007 and September 27, 2007 Finance Commission meetings was made and seconded. Chairman Kane asked if there was any discussion. Hearing none, the minutes were approved.

**Discussion Regarding the Non-Home Rule Sales Tax Referendum**

At the October 16<sup>th</sup> Village Board Meeting, the Village Board Members approved the sales tax referendum for the February ballot. Chairman Kane informs the members that the process will now be handed over to a committee that will work on ensuring the project gets passed. Additionally, the Finance Commissioners are now restricted in what they can do. Chairman Kane states that Mr. Cooper will describe the restrictions and Trustee Schultz will head up the campaign effort.

Mr. Cooper explains Finance Commissioners can educate but they cannot advocate. For example, Village funds cannot be spent on campaign advocacy but the Village can fund an educational program. Village staff is currently working on an educational program explaining what the Infrastructure Master Plan is and why the sales tax referendum is important to the plan's financing. Some of the educational components are already on the Village's website. Mr. Cooper notes that all information is amendable and suggestions are welcome. The Village is considering having a Finance Commission member provide a PSA to explain the Infrastructure Master Plan in greater detail.

Trustee Schultz states that he will be working with Trustee Williams to run two separate campaigns and to make sure the issues remain separated. He believes

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that education is the key and will be working with Paul Wiggins to develop a website for this purpose. Volunteers are needed to assist with the educational endeavors. Mr. Cooper notes that when away from Village property, Board Members and Finance Commission members may freely engage in referendum related activities such as contributing to citizens referendum committees. Trustee Schultz states that he would like to get the Chamber of Commerce involved in supporting the Infrastructure Plan. A door-to-door educational campaign was suggested, especially in areas particularly affected. Trustee Schultz states he would speak with Chief Brad Bloom as to whether or not this activity is allowable.

**Discussion and Understanding of the Village's Financial Projection and Report Preparation Time Frames**

Chairman Kane states that he wants the members to get a sense of the budget's preparation and approval process. Mr. Cooper explains the Village's five-year plan and how it folds into the budget process. He states the finance department begins with a five-year plan, which sets aside a trend analysis over the next five years of where the Village expects total operating revenues and total operating expenditures to be so that they can determine where the capital projects will go. All department heads are asked to fill out a capital request for the next five years. Based on the capital requests, the finance department formulates all the information into the five-year plan. A potential budget is developed shortly thereafter which sets parameters for operating expenditures for each department. The capital outlay for each department is based on the five-year plan. The ACA and Village Board approve the five-year plan and budget before implementation.

In September, the finance department reviews the five-year plan and estimates revenues and expenditures, considers each department's capital requests as well as the infrastructure plan. After the five-year plan is approved, the departments prepare their operational budgets. Once submitted, the budget is given to the ACA by the end of December. The ACA will then present the budget (also known as a performance budget) to the Board of Trustees around January 15<sup>th</sup>. After the board reviews the budget, then it is given to each of the committees for their review and input. The Board must then be given the budget for approval no later than the last board meeting in April. Currently, the finance department is working on the FY 08-09 budget. The fiscal year for the budget is from May 1st through April 30<sup>th</sup>.

Chairman Kane discusses the need to differentiate the Finance Commission's role from that of the ACA and Mr. Coopers' function. He believes that the Commission should provide philosophical oversight as well as monitoring how that works out. Chairman Kane notes that there is only a short period of time to review the five-

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year plan before it goes to the ACA and Village Board for review. Mr. Cooper said that he would forward the five-year plan after the ACA's November 27<sup>th</sup> meeting and the Finance Commission could review the plan at their December meeting. Chairman Kane states that the Finance Commission should receive the budget earlier next year in order to have more time to review the document prior to the ACA's review.

**Review of the Monthly Treasurers Report – Review of Projections Going Forward**

Mr. Cooper states that the assumptions developed at this level will be used for the five-year plan. The information compiled will illustrate where the Village derives its revenue and expenditure projections. Revenues are reviewed to determine the individual sources and the accompanying trends. On the expenditure side, percentages are developed. After compiling this information, the Village determines the remainder and how much may be spent, all the while keeping in mind the goal of obtaining a 25% reserve level. Finally, the Finance Commission reviews the assumptions to ensure that the product produced by the Finance department does not overstate the revenues or expenditures.

The Commission members discuss the potential for a property tax and housing downturn and how that could impact revenues for the Village. Mr. Cooper explains how the Village is able to predict the revenue sources for a fiscal year. First, property tax revenues are easy to gauge because the CPI does not fluctuate more than 2-4%. Revenue from property taxes accounts for only 27% of the Village's overall revenue and the Village collects 100% of the property taxes. Second, sales taxes can be projected and adjustments are made accordingly. Promotions are being implemented to assist in increasing sales tax revenue. Third, service fees are predictable since the Village is aware of any fee increases (i.e. parking permit fees). Fourth, operations are relatively stable. It is the capitals and revenues that must be closely monitored.

A discussion takes place among the commissioners concerning the revenue derived from assessed values. Commissioner Kushner poses a hypothetical situation whereby the entire Village's assessed property values were to decrease. If this occurs, the Commissioner Kushner questions whether this would leave the Village in peril of losing some revenue. Chairman Kane and Mr. Cooper state that they believe this is unlikely to transpire.

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**Review of Comprehensive Annual Financial Report (Annual Audit) for the Fiscal Year ended April**

Mr. Cooper explains the format for the comprehensive annual financial report. The Village uses GASBY's reporting model, which breaks down the individual department's expenses and then matches up the program's revenues. The Finance department examines where each department stands. With regard to the five year plan, the previous two years actuals and the current year are reviewed to obtain estimates which are used to develop a solid five year plan. Mr. Cooper requests that prior to the next meeting, the commissioners should brainstorm ideas that they would like to see worked into the projections.

A discussion regarding the Finance Commission's original plan occurs. Chairman Kane states that the Finance Commission should advocate financial discipline and balancing the budget every year. The Finance Commission's oversight will put pressure on the ACA and Board to make decisions on how to keep the Village's government functioning. One Commissioner states that the Finance Commission's long term goal should be rebuilding the reserves. Discussion turns toward how the budget can be balanced and what changes can be made to rebuild the reserve levels. Chairman Kane states that the operating expenses need to be examined and cut so that they coincide with revenues. Mr. Cooper notes that the current reserve level is at 18%, which is where it was at last year. Commissioners voice concern over the potential for the reserve level to decrease. Chairman Kane notes that there are two big pieces of the deficit (1) the building permits are \$463,000 below the budget and (2) general government is \$272,000 over budget. Mr. Cooper responds that the main reason the general government's budget is over is due to planning and legal costs that were unexpected.

Commissioner Wagner voices concern about the permit revenue. Mr. Cooper maintains that the Village budgeted 1.5 million for total overall building permits for the corporate fund; however, presently we are at 25% of where we should be. The reason for this is that we are just now starting to see permits come in under the new fee structure. November financials will reveal the difference since these numbers will reflect hardly any permits under the old fee structure. Mr. Cooper notes that the budget assumed the higher fee. Chairman Kane states that we need to suggest to the Board members that expenditures must be cut to adjust for the decline in revenue.

The Commissioners agree that a mid course spending correction should take place. A Commissioner notes that we do not want to go backwards on our 18% reserve level; between the spending and the building permits, the Village should cut

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\$300,000. The Commissioners agree that operations need to be reduced and a formalized recommendation should be delivered to the ACA. The recommendation is:

“Based upon year to date budget results, the Finance Commission is concerned that lower than planned revenues and higher than expected costs will result in a further reduction in reserve levels, which is contrary to the objective of restoring these from the current level of 18% to eventually 25%. The current trends indicate that without some spending corrections, the reserves are at significant risk of falling below the current level of 18%. Therefore, we recommend a budget review at this point to reduce operating outlays by \$300,000. The aim is not to reduce capital expenditures or to defer maintenance but rather to achieve the goal through operating outlays.”

The motion to adopt the recommendation and submit it to the ACA on Monday, November 5<sup>th</sup> at 7:30pm was unanimously agreed upon. Commissioner Kushner volunteered to attend the ACA meeting and answer questions if necessary.

**2007 Management Letter Review**

Commissioner Kushner commented that it appeared that the management letter's items were inconsequential. A Commissioner responded by stating that \$120,000 is a significant amount of money. Chairman Kane stated that he thought all of the recommendations were suitably responded too. Another Commissioner inquired about whether or not management letters generally have items. Mr. Cooper responded that occasionally this happens.

**Adjournment**

Since there was no further business to come before the Commission, it was moved to adjourn. The motion was seconded and passed.

Respectfully Submitted:

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Douglas E. Cooper  
Assistant Village Manager/Director of Administration