

**Village of Hinsdale
Finance Commission
Minutes of Meeting on March 6, 2008**

Members Present: Chairman Kane, Commissioners Aggarwal, Jurgenson, Kushner, Savickas, Vernick, and Waldo

Members Absent: Commissioners Bauschard and Wagner

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

Others Present Ms. Julie Crnovich

Meeting Called to Order at 7:38 pm.

Approval of Minutes

Chairman Kane stated that the minutes from the January 10th and January 24th Finance Commission Meetings were being presented for approval. He asked for a motion that was made by Commissioner Kushner and seconded by Commissioner Savickas. He then asked if there were any changes. Commissioner Waldo then discussed some changes he would like expressed in the minutes. Chairman Kane asked for a motion to accept the changes as noted. Commissioner Waldo moved and Commissioner Savickas seconded. Commissioner Kushner then asked for a clarification of the changes to which Commissioner Waldo responded. Chairman Kane then asked if there were any other changes. None being noted, Chairman Kane asked for Commission approval of the first motion approving the minutes for the January 10th and 24th meetings. The motion was passed unanimously.

Comments by Village President Michael Woerner

President Woerner began by thanking the Commission for their hard work, and then reviewed the history of the approval process of the budget and what he felt the objectives of the Commission should be in the budget review. He felt that the Commission was important now, particularly in light of how the current Board was viewed by some members of the community. He felt that the Commission played an important role in delivering impartial, unbiased information to Hinsdale residents as it related to the budget as well as the upcoming sales tax referendum and the

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infrastructure program. He stressed the importance of the Commission in addressing these issues because the Commission had an element of trust with the Community.

Commissioner Kushner asked who would be the disciplinarian on the Board to control expenditures on projects for which there was no available funding. President Woerner discussed the overall structure of the Board and how each Committee had its own desires, but that the overall Board control of expenditures really rested with him. He talked about the use and need of outside consultants and why the Board utilized consultants due to limited Village staffing. Commissioner Waldo asked about joint projects with area communities that could help defray costs to the Village. There was some discussion on joint operations of police and fire departments—Willowbrook and Burr Ridge was cited as an example. President Woerner stated that each Village generally likes to have control over its operations, but have in the past contracted out services to help reduce personnel costs—for example waste pickup, water delivery service and parks maintenance. He also stated that other services are hard to contract out—for example janitorial services. It generally needed to be looked at on a case-by-case basis.

There was some further discussion regarding the sales tax referendum and the question of how the Cook County rate increase would affect the Village's referendum chances. He then thanked the Commission once again for their efforts.

Discussion of 2008-09 Performance Budget

Chairman Kane then stated that he and Commissioner Waldo attended the ACA Committee and the response that staff had in regards to the Commission's recommendation regarding the proposed budget. The Committee discussed at length the recommendations presented in staff's memo. There was uniform agreement to the revenue adjustments, but there was some resistance to the expenditure adjustments recommended by the Commission.

He then discussed the issue of legal fees and how staff was addressing this concern. Mr. Cooper reiterated that staff feels that legal fees will decrease due to the reduction in litigation currently before the Village. That some of the costliest litigation was currently being settled and would not be a part of the equation in the 2008-09 budget year. Commissioner Kane stated that regardless of what is currently in progress, what is to prevent something else from occurring? Commissioner Kushner asked if the Village would ever consider the use of a mediator to work through litigation. Mr. Cooper stated that Trustee Williams had

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challenged staff to find alternate ways of reducing fees. Commissioner Vernick stated that the way to reduce legal fees is for the Board not to attempt any new initiatives. Commissioner Aggarwal stated that the Village could change its ways, or reflect its activism in its budget by increasing legal fees to a more realistic number. Chairman Kane then stated regardless of any discussion which has taken place, it appears that the Commission's stance would be to endorse an exploration of reducing legal fees in any manner deemed appropriate. Commissioner Vernick felt that the Board should consider the potential legal fees prior to proceeding with future initiatives. Commissioner Jurgenson stated that not only should legal fees be considered, but consulting fees need to be considered also. Chairman Kane stated that the Village Manager has adamantly expressed the view that he can control legal fees to the level of \$500,000, as discussed in staff's recommendations.

The Commission then discussed the idea regarding budgeted expenditures which can be eliminated should there be spending in other areas which will obviously exceed the budgeted amount. Commissioner Vernick stated that the Commission should express this figure in absolute dollar terms. Mr. Cooper stated that there is \$250,000 in identified budgeted costs that will be deferred until the Village's financial picture indicates they can be expended. Chairman Kane expressed his concern that there was too much focus on the amount of legal fees and other costs, and not enough on the budget variance. He felt that if the financials indicate that the budget variance goes to the worse, what cuts could be made at that point to bring the budget back to the anticipated projections. Commissioner Vernick felt there should be some viable benchmarks to indicate when these contingency expense reductions should take place. Commissioner Kushner felt that there should be a way to monitor the budget closer so that any variances will be noted almost immediately. Chairman Kane stated that the variance to budget at almost any time should be zero. If that number exceeds a zero balance, then it is up to staff to adjust budgeted expenditures at that time in order to maintain the anticipated 19% reserve level.

Commissioner Vernick suggested that as the monthly financials are reviewed by the Commission, and if it appears as though a variance may be imminent, the Commission should make the Board aware of these variations from budget, and that a course correction should be implemented. Chairman Kane then asked about the comparison between the current year month to date budget variance and the year to date estimated variance showing in the Treasurer's Report. Mr. Cooper stated that although the actual month to date variance appears worse than the estimated year-end variance, the year to date variance has historically been

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reviewed more expeditiously by staff. There are also some timing issues with revenues—there are expected to be stronger revenue receipts at the end of the year.

Commissioner Waldo then asked about the \$318,000 in capital expenditures that were deleted from the original budget. Would these costs be expended in the future? Mr. Cooper stated that the majority of these costs could be deferred over the next three years if necessary. Some of the projects are “wish-list” type items, which the Village does not currently need, or have, and does not need for future operations. Commissioner Waldo stated that his concern is that if the downward economic trend continues for another two to three years, can these items be postponed, or will they need to be made in the future, which will then affect the reserve level in future years. Chairman Kane reiterated his concern of deferred maintenance and that if this occurs, and the Village needs to address some of these items, then it is possible that we could find ourselves in the same position next year. Commissioner Vernick felt that if this occurs, we have as a Commission at least made the initial steps necessary to focus on budget constraints and that if tougher cuts need to be made, it will be more of a straightforward issue to face in future years.

The Commission then discussed any further recommendations. Chairman Kane stated that he is still concerned about the consulting fees expended in the current year. He felt that it was important for the budget to address these potential expenditures. The Commission felt that the original recommendation previously presented is still the Commission’s recommendation. They also felt that there should be caution in the relaxation of any contingency that is set up in the budget. In addition, the point should be made that the contingency amounts proposed in the original budget should remain. The Commission then discussed the manner and time in which the Board would release the \$250,000 in the various deferred items as well as any other unspent contingency amounts. The Commission was concerned about micromanaging the budget. Chairman Kane stated that the Commission should focus on acting proactively to keep the Village on track with the budget overall. The Commission suggested that staff prepare a report at the six-month period stating whether it is or is not prudent to spend any of the additional deferred funds. The Commission can then opine on staff’s recommendation.

Chairman Kane then stated that at the March ACA meeting, the idea of a “budget summit” with the other interested Village parties be held with the Finance Commission to discuss the budget. The Commission felt that the timing of the summit should actually be held at the six-month period previously discussed. The

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consensus was that the Finance Commission was more than willing to have a summit, but not until the six-month period in 2008-09.

Chairman Kane then stated that it appears as though there are six points from tonight's meeting: point # 1, the Commission feels strongly that the Commission's original recommendation should still stand. Point # 2, the Village Manager should present a report at the six-month period regarding the status of the deferred expenditures. Point #3, the contingency originally set forth in the budget should be reinstated. Point #4, the Village Manager should maintain a zero variance from budget during FY 2008-09, and point #5 the Commission sees more value to a six month summit in FY 2008-09. He also feels that there should be a policy in writing by the Board of adherence to the 2008-09 budget as presented.

There was some discussion regarding the recommendation of the written policy. It was apparent that the budget debate has been heard at the Board level; it is apparent that the Board is listening to the Finance Commission's concerns about the budget process. Chairman Kane stated that he still felt a policy statement was desired.

Commissioner Waldo reminded the Commission of the discussions taking place between School District 181 and the Village regarding the HMS project, and its potential affects on the Village's bond rating, as well as any possible effects on the sales tax referendum.

Adjournment

Since there was no further business to come before the Commission, it was moved to adjourn the meeting at 9:40 pm. The motion was seconded and passed.

Respectfully Submitted:

Douglas E. Cooper
Assistant Village Manager/Director of Administration