

**Village of Hinsdale
Finance Commission
Minutes of Meeting on January 24, 2008**

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

Members Absent: Commissioner Aggarwal, Bauschard

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

Others Present Mr. Brad Summers

Meeting Called to Order at 7:40 pm.

Discussion of 2008-09 Performance Budget

Chairman Kane opened the meeting by stating that this was a special meeting to discuss departmental budgets. He stated that President Woerner asked that a Commission Member be present at each Committee meeting during budget discussions. The Commission then developed an attendance scheduled for each Committee meeting through February. Chairman Kane stated that he hoped that by the end of the meeting the Finance Commission would be able to develop a list of specific recommendations, which can help guide the budget discussions at each Committee meeting.

Chairman Kane began the budget discussion by asking Commissioner Waldo to address the revenues within the Corporate Fund budget. Commissioner Waldo stated that the forecasting of revenues is inherently more difficult entering a challenging macro environment, which is evident given the recent economic events. Commissioner Waldo then began by asking staff to explain the logic behind the interest income amount for various Village Funds, including the Corporate, Police Pension and Firefighter's Pension Funds. After a brief synopsis by staff of the methodology used, there was discussion regarding the funding of the pension Funds. Specifically, given the potential in today's economy for a possible decline in the value of the pension funds portfolio, what would be the change in contribution should this occur?

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There was some discussion on the forecasting of the Tax Levy for the 2009 budget. Staff explained the tax levy process and then the discussion moved to the income tax revenue. After an explanation of the forecasting method, there was some general discussion as to how the current economic factors would affect the overall income tax results for FY 2009. There was a concern that there would be a shortfall in this area. Commissioner Waldo asked that we should take a more conservative view than that determined by the Illinois Municipal League. Staff was asked to provide some information regarding income tax receipts from 1989 through current year receipts to determine any trend that may have occurred during a downturn in the economy. Commissioner Waldo then stated that he had some final concerns on permit revenue. Staff responded by stating that the forecasted revenues for this area were based on total estimated permits issued during FY 2008 and applying the new rate structure for permits on this number. The Commission still felt that there could be a risk of a decline in total number of permits issued, and if this were to happen, where would the cushion be? Staff stated that a very conservative approach was being taken in this budgeted line item, and it would be monitored very closely in FY 2009.

Chairman Kane then summarized a possible recommendation by the Finance Commission in relation to the revenue projections. The Commission sees a significant amount of risk in Sales, Income, and Building Permit revenues as well as the interest rate on surplus cash balances. ~~Accordingly and that~~ there should be some cushion built into the budget to address potential ~~downfalls~~ shortfalls within these revenue accounts. There was some discussion as to what ~~the~~ dollar value the cushion should be and how to incorporate this into the budget. Commissioner Waldo stated that based on his analysis ~~there would be a potential risk of \$225,000 to \$300,000~~ there could be a potential adverse revenue of \$500,000 to \$600,000 from the Village Administration's initial Fiscal Year 2009 revenue forecasts for budget purposes for the Corporate Fund. Commission Kushner stated that there will be a revenue risk, but the Commission felt as a whole, that a recommendation for change in the dollars forecast is unwarranted at this time. ~~However, there should be a contingency built into the expenditure side of the budget should the revenue situation turn on the Village.~~ The Commissioners agreed that there should be a contingency of \$250,000 to \$350,000 built into the expenditure side of the budget to affect some of the revenue shortfalls anticipated at this point.

Chairman Kane then discussed the General Government portion of the budget, specifically the professional services line item. He ran through the numbers and recommended that past historical data should be used in the determination of the budgeted FY 2009 amount. He discussed the history of the legal fees line item. The

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Commission felt that a three-year average would be a good basis for estimating this number. The number agreed upon was \$650,000. Chairman Kane then discussed the Other Contractual Service item and talked about how this line item varied from budget. He stated that this line item is discretionary and does have budgetary control. The discussion then turned toward the Electrical Referendum and additional costs that may occur if the referendum passes, including legal and engineering costs. Chairman Kane directed the Commission to the Infrastructure Fund that included \$180,000 in costs related to further expansion of the Utility. Chairman Kane asked that these costs be removed from the Infrastructure Fund. He stated that these items would be included in the Commission's recommendation.

Chairman Kane then discussed the Capital Expenditures line item. He discussed the unbudgeted expenditures for FY 2008-including the excess cost of the Fire truck, as well as the parking lot. There was some discussion regarding the Fire Department and the timing of the Fire Truck payment, and the effect this has on the budget. He was concerned that the spending of funds for unbudgeted capital outlay is problematic. He stated that the Commission needed to enforce the point that unbudgeted capital spending needs to be addressed more adequately by the Board; that deliberate expenditures for unbudgeted items is not good fiscal policy. It may be wise to increase capital expenditures to a realistic number, or that a policy be adopted regarding the purchase of unbudgeted capital items.

The next department up for discussion was the Police Department. Commissioner Kushner discussed the salaries line item its relation to the overall budget for the Police Department. In general, she felt confident in this budget and the Department's ability to forecast expenditures. Chairman Kane stated that the Police Department is close to its budget, but there is still a question of whether the department heads continue to be accountable to their budgets as the budget cycle progresses. The policy should be that the Village Departments should live with the budgets as written. Commissioner Kushner then talked about compensating revenues that do not appear on the individual departmental expense schedules.

Commissioner Vernick then summarized his feelings regarding the Fire Department budget. He felt that the budget as presented should work this year.

Commissioner Jurgenson then discussed the Public Services budget. She stated that the majority of the budget was personnel and contractual services, and that the evolution of the department has allowed for a more cross-functional department that has been better able to utilize staff. She noted that the swings in the budget

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tended to be weather related. There appeared to be no alarming issues with this budget.

Commissioner Vernick stated that it appears that a number of the Commissioners had been impressed with the quality of the management of the departmental budgets. He stated that if there are concerns, it does not appear to be within the operating budgets. It is important that the Commission stress this point—that the Departments are operating effectively within their budgets.

Chairman Kane stated that he would get a memorandum out to the Commissioners regarding the discussion and recommendations that came from tonight's meeting for their review and input.

Adjournment

Since there was no further business to come before the Commission, it was moved to adjourn the meeting at 9:25 pm. The motion was seconded and passed.

Respectfully Submitted:

Douglas E. Cooper
Assistant Village Manager/Director of Administration