

**Village of Hinsdale  
Finance Commission  
Minutes of Meeting on October 1, 2009**

Members Present: Chairman Kane, Commissioners Maali, Posthuma, Waldo, Kushner, Elder, Wagner, and Hughes

Members Absent: Commissioner Savickas, Aggarwal

Staff Present: Darrell Langlois, Assistant Village Manager; Dan Deeter, Village Engineer

Others Present: Trustee Doug Geoga and Bob Saigh

Meeting Called to Order at 7:34 pm.

**Approval of Minutes**

Chairman Kane asked for a motion to approve the minutes of the August 27, 2009 Finance Commission meeting. Commissioner Maali requested adding additional information to the minutes in regards Commission discussion regarding the Draft Infrastructure Plan. Mr. Langlois stated he would revise the minutes to add the additional content and place this item on next month's agenda for approval.

**Review and Discussion of the August, 2009 Treasurer's Report**

Mr. Langlois presented the August Treasurer's Report to the Finance Commission. He stated that based on the previous request of the Finance Commission, the August Treasurer's Report has begun to report some end of the year estimated amounts that are different than the annual budget. These adjustments have been made for known material differences to a number of revenue and expense items, and these estimates will continue to be refined as the year progresses. A comprehensive review of the budget is expected at the end of six months.

Sales tax revenue for August and September has declined approximately 10% from the previous year and although year to date sales tax collections are 12.02% below the prior year, these results are favorable as a decline of 18% was assumed in the preparation of the budget. Income tax receipts were down 17.6 % from the previous year, which is consistent with the budget assumption of a decline of 17%. Food and beverage tax revenue was down 3.9% from the previous year, but these results are favorable since a decline of 13% was assumed. Property tax revenue is being received as expected and should end the year very close to budget amounts.

Utility tax revenue has declined 6.3% from the prior year, mostly due to the declining market prices of natural gas. The year end estimate for the Utility Tax on natural gas has been reduced by \$60,000. Although permit revenue was down 23% in August, year to date collections are \$43,845 or 14.9% above the prior year. Fine revenue is tracking significantly below budget and the year end estimate in a

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number of categories has been reduced by a total of \$130,000; reasons for the decline include fewer overweight truck violations, reduced building code violations, fewer scofflaw parking tickets, and fewer parking tickets in general due to increased compliance. Park and Recreation fees, mostly pool revenues, have declined due to inclement weather throughout the summer.

Operating costs are tracking well within budget. Positive variances were noted in legal expenses, wherein the end of year estimate has been reduced by \$100,000 from the annual budget. Overtime costs are tracking below budget in the Police and Fire Department, and the year end amounts have been reduced by \$80,000 and \$60,000 respectively

Assistant Manager Langlois noted that the Comprehensive Annual Financial Report has been completed by Village staff, and he also noted that the 2009 General Obligation Bond issue had received very good rates (3.62% overall) and is expected to close on October 6, 2009.

General discussion took place regarding the August 2009 Treasurer's Report such as revenue and expense changes from the original budget. Commissioner Waldo inquired as to budget assumptions used as it relates to weather factors and winter severity. Assistant Manager Langlois indicated he would research and would follow up with Commissioner Waldo and the other Commission members

**Review of Departmental Capital Requests for the Five Year Financial Plan**

Chairman Kane noted that included in the meeting packet is a listing of Departmental Capital requests that have been submitted for consideration in the Five-Year Plan. Mr. Langlois noted that the listing is a compilation of departmental requests, and as of yet projects have not been prioritized nor has pricing been scrutinized. The Village manager has review the initial listing and has removed "wish list" types of request, and he also noted that inclusion of many of these projects is subject to outside funding such as grants. As the list is extensive and way more than the Village could likely afford, the Five Year Plan approach will be to set aside an allowance each year, ranging from \$1 million to \$1.5 millions, and these projects would then be prioritized as part of the annual budge process.

Chairman Kane expressed his concerns and stated the Village could not afford to push back capital expenditures to future years because of the chance of a deferred maintenance problem in the future. Discussion continued over the project list and how the Village could budget these items.

**Continued Review and Discussion of the Infrastructure Plan**

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The Finance Commission, led by Commissioners Maali and Hughes, summarized the details that have been analyzed and will ultimately be included in the master plan. Mr. Deeter noted that the plan has undergone some revisions since the last meeting whereas the total price has increased by \$7.0 million due to some corrections being made and adding additional streets to the program in order to address the goal of improving all of the poor and failed streets. In addition, the plan has increased by \$3.2 million due to updating a number of unit price assumptions due to the bid analysis requested at the last meeting. The total project cost is now at \$71.4 million.

In reviewing the findings from the James Benes Capital Improvement Study done in 2008, he indicated that our actual bid experience had more validity and felt it was better to base the pricing assumptions on these results. Mr. Deeter outlined details of upcoming projects such as the Woodlands street and sewer reconstruction project. Discussion took place between the Finance Commission and Village Staff over the cost of these projects and potential problems that could arise during the construction phase as well as current road conditions in the Village and the desire to prevent further deterioration of the road system.

Mr. Deeter continued to present details of the capital infrastructure plan and discussion took place regarding the current conditions for “like communities” and how they measure up to Hinsdale regarding road conditions. The Finance Commission summarized the discussion and asked questions regarding the future of this study and the next steps that will be taken in order to stay on track.

Chairman Kane requested a document be drafted to highlight the main points to present the methodology of the project and other key details that are easy to read and understand for all parties affiliated with the Village. Trustee Geoga indicated that he was concerned that the numbers keeps changing as this version has increased by 19% since the last time. He indicated that it was important that the Commission conclude its work on the plan in order to move forward, and requested that the Commission come to some firm conclusion as to what the Plan does or does include, what the key assumptions are, does it keep us in compliance with the regulatory requirement related to sewer separation, how comprehensive is it, etc. He stressed the need for the approach to be consistent in determining the budget figures. Chairman Kane agreed and stated the Finance Commission subcommittee of Mike Maali and Jerry Hughes would continue working with staff on the plan in hopes of addressing Trustee Geoga’s concerns and finalizing it at the next meeting.

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**Recommendation regarding Resolution to include Compensation Paid under an Internal Revenue Service Section 125 Plan as IMRF Earnings**

Mr. Langlois provided information to the Finance Commission regarding this agenda item and stated the steps the Village would need to take in order to fix certain situations with the IMRF as it related to treatment of Section 125 health insurance deductions. Mr. Langlois indicated that passing a resolution that would not deduct Sections 125 items from the IMRF formula would be consistent with how the payroll system is actually handling this issue for 50% of the employees and would have parity with Police and Fire as these deductions do not impact their pension formula. The cost of passing this resolution would be \$16,000 annually, and the first two years of cost would be offset by a credit the Village will receive by fixing a number of reporting errors. He was asked how this is handled in other communities and responded that 16 of the 28 communities in DuPage County have passed this resolution. General discussion took place between the Finance Commission over the pros and cons of passing this resolution, and there was concern by some members of any real or perceived improvement in public pensions, even a minor one such as this as these tend to have a cumulative effect. After more discussion on both sides of this issue, the consensus was to recommend denial of the proposed resolution.

**2009 Audit and Management Letter**

Chairman Kane asked Assistant Manager Langlois to discuss the 2009 Audit and Management Letter. He indicated that the only significant issue relates to “Restatement” in the Comprehensive Annual Financial Report due to the Village making two errors in prior years amounting to an overstatement of approximately \$700,000 related to the calculation of sick pay liability. This error correction only impacts the “GASB 34” financial statements, not the individual fund financial statements. Due to the restatement, there is a Management Letter comment related to this issue which is classified as a “control deficiency”. Mr. Langlois noted that this classification is a significant downgrade from a “material weakness”, which was the initial classification of the error but the comment was downgraded since the Village, not the auditors, discovered the error. This issue was discussed with Speer Financial, the Village’s financial advisor, who indicated that this should have no impact on the Village’s credit rating, especially since this adjustment is in the Village’s favor.

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**Adjournment**

Chairman Kane introduced new member Chris Elder to the Commission. He introduced himself and provided some background information regarding his past work experience. Commissioner Maali motioned to adjourn the October 1, 2009 Finance Commission meeting, seconded by Commissioner Kushner. The vote was unanimous and the meeting was adjourned at 9:50 P.M.

Respectfully Submitted:

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Darrell Langlois  
Assistant Village Manager/Finance Director