

**Village of Hinsdale
Finance Commission
Minutes of the Special Meeting on April 7, 2014**

Members Present: Chairman Waldo, Commissioners D'Arco, Morris, Maali and Tobia

Staff Present: Kathleen Gargano, Village Manager; Darrell Langlois, Assistant Village Manager/Finance Director; Chris Webber, Assistant Finance Director

Others Present: Tom Cauley, Village President; Jerry Hughes, ACA Chairman, Chris Elder, Trustee

Meeting Called to Order at 6:00 p.m.

Approval of Minutes

Chairman Waldo asked for a motion to approve the minutes of the December 17, 2013 Commission meeting. Commissioner Morris moved approval of the minutes, Commissioner Tobia seconded. The minutes were unanimously approved.

Review and Discussion of the February, 2014 Treasurers Report

Mr. Langlois commented on the highlights of the report. Base Sales Tax receipts for the month of February amounted to \$203,000 and \$267,000 for March. This represents a decrease of \$74,144 for February and a decrease of \$13,780 for March. As to the large variance in the February receipts, the 2013 amount was unusually high as the average February payment for the prior three years was \$205,000. Total Sales Tax receipts for the first eleven months of the fiscal year total \$2,820,000, an increase of 2.4%.

Income Tax revenue for the month of February amounted to \$163,966 and March amounted to \$93,651 as compared to prior year receipts of \$159,533 and \$89,456 respectively. This represents an increase of 2.8% for February and an increase of 4.7% for March. Total Income Tax receipts for the first eleven months of FY 2013-14 total \$1,474,886, an increase of 8.4%. This variance is favorable when compared to budget as no increase was assumed for FY 2013-14.

Mr. Langlois reported that Building Permit revenues for February were \$124,323, an increase of 80.1%. For the first ten months of the year, total Building Permit revenue stands at \$1,202,433 an increase of 27.6% over the prior year. Based on current projections the end of year result for permit fee revenue is projected to be \$152,500 above budget.

Mr. Langlois reported that the extreme cold weather and the unusually large number of snow and ice events that have occurred during this past winter will result in several negative budget variances. Public Services overtime will be over budget as the year end estimate is \$125,680. Likewise, the budget amount of \$30,000 in account Chemicals will likely be exceeded by approximately \$62,000 due to the need to purchase additional salt beyond the budgeted amount and at significantly higher prices.

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Mr. Langlois reported that the sale of \$2,070,000 of bonds is expected in order to finance the water meter project. As part of the bond sale both Fitch and S&P re-affirmed the Village AAA bond rating. The S &P rating the last couple of times had rated Village management as “good” and now have characterized it as “strong”. The average bond coupon rate is expected in the 2.5% to 3.0% range. As the stock market has declined significantly the last 2 days hopefully will result in a good sale.

Commissioner Morris asked Mr. Langlois if there will be significant expenses for the roads due to the extreme amounts of ice and snow. Mr. Langlois stated that information would be presented in the budget report.

Chairman Waldo clarified with Mr. Langlois that the negative variations from the harsh winter would be covered in the budget presentation.

Review and Discussion of the 2014-15 Annual Budget and FY 2014-15 to FY 2018-19 Capital Improvement Plan

Village Manager Gargano explained changes in the FY 2014-15 Budget document. Among the changes in this year’s Budget is a transmittal letter that provides a Budget overview and outlines the budget priorities for the coming year. Additionally the Budget includes activity and performance measures and the goals and objectives section has been expanded. Due to increased business volumes the Community Development Department will be adding staff to help shorten the time frame for approving building permits.

The Capital Improvement Plan (CIP) has been revised to show more detailed cost justification as well as the inclusion of pictures on many items. Chairman Waldo asked Ms. Gargano if part of the goal setting is tied to certain cost per unit of service delivery expectations. Ms. Gargano stated that some departments would not lend itself to do that and that staff time is very limited here to compile the data necessary to accomplish the reporting.

Mr. Langlois presented the budget. The Corporate Fund encompasses all of the operating departments of the Village except for the Water Department. Revenues are projected at approximately \$19 million and expenses are expected to be around \$16 million. \$1.2 million is going to fund the capital improvements included in the CIP. The projected operating budget surplus of \$366,000 for FY 2013-14 is after the negative variances from the past winter season. It was noted that the Village will receive a \$162,000 credit from its health insurance provider. After all transfers there is a deficiency of \$50,264 because of transferring surpluses of \$325,000 to a new fund for infrastructure and \$75,000 in discretionary contributions will also be transferred to both the Police and Fire Pension Funds.

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Mr. Langlois reported that total revenues are increasing about 2% over the prior year. Mr. Langlois commented on the pie chart that shows how the revenue is allocated. There are a number of different revenue categories and the Village is not over reliant on any one source of revenue. One of the most significant revenue sources is property taxes. The tax levy was approved last December and the Village does have tax cap limits of 1.5% due to changes in CPI. New growth is allowed to be considered and will provide some incremental revenue above the tax cap. Mr. Langlois noted that the Village receives approximately 7% of an individual homeowner's the tax bill revenue, with the vast majority of property tax revenue going to schools. Commissioner Tobia asked who decides what the tax cap will be and what the average increase will be to the taxpayer.

Another significant revenue source is sales tax revenue. This is projected increase about 5.4% over the FY 2013-14 budget amount for next year. Income taxes are expected to increase 3%. Utility taxes are shared between the corporate fund and MIP fund. The corporate fund share will increase 3%.

Permit revenues are projected at \$1,231,000 for FY 2014-15. Mr. Langlois noted that in September 2013 permits increased by 104% over the prior year and in October 2013 permits increased by 130%, so the budgeted amount was moderated downward to reflect a more normalized amount for these months. Commissioner D'Arco asked about food permits and whether it costs more to have these inspections. Mr. Langlois stated that these are required inspections for Cook County but the county performs these inspections in Du Page County. Mr. Langlois stated that the new position in Community Development would cost around \$90,000 with benefits. Because the current Code Enforcement Officer position is now part-time, no new insurance costs would be involved. The Community Development Department and the Park and Rec Department will both be open during lunch as part of this reorganization.

Mr. Langlois commented on the General Fund. 48% of expenditures are related to public safety. The biggest expenses are salary and benefits and the second largest is contractual services. Corporate Fund expenses are expected to increase about \$500,000 and overall personnel costs are increasing 3.8% due to the Community Development Department reorganization, a new Management Analyst position the manager's office new position, and salary increases for current employees in the Corporate Fund.

Mr. Langlois reported that the professional services budget will increase \$27,000, mostly related to an increase in legal fees. Contractual services will increase by \$133,000 mostly due to an increase in a number of expenses related to trees. Materials and supplies will increase by \$35,000 for the replacement of trees and \$30,000 extra for salt purchases. Transfers will go down by \$100,000 due to lowering the contribution to the MIP to \$1.5 million.

Mr. Langlois stated that full time equivalent staffing levels went from 135 a number of years ago to a low of 117 and now are at about 119. Village Manager Gargano stated

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that the staffing levels in the Community Development Department will be monitored and evaluated as necessary should business levels change. Mr. Langlois stated that the salary budget includes a 2% cost of living increase and that step/merit raises are also included. Most building plan review is outsourced to a third party and staff believes that the Community Development reorganization will help reduce the permit review time and that most permit reviews will now be done in-house. Ms. Gargano stated that clerical help will also be added to supplement the full time secretary to handle the increased permit volume and will enable all Departments at Village Hall to remain open during the lunch period.

Mr. Langlois also reported that \$13 million will be spent on infrastructure improvements in the next fiscal year and there are only three employees in the Engineering Department to manage these projects. This will be especially problematic in the next couple of years with the Oak Street Bridge project. To assist with managing these projects a part-time seasonal civil engineer is proposed to be hired. Ms. Gargano stated that this new position will be re-evaluated after these projects are completed to see if that position is still needed. The budget also includes a new part time secretary that can issue small building permits at the counter and can provide support to the department management so they no longer will have to do clerical tasks such as preparing minutes.

Pension expenses are budgeted at \$1,949,000, a 3.1% increase. There have been favorable returns from the investments which has improved funding levels. Chairman Waldo asked Mr. Langlois what percentage is funded at the end of the fiscal year. Mr. Langlois does not have 2014 results yet but indicated that Police Pension funding is above average and the Firefighters Pension Fund and IRMF are about average. Trustee Hughes stated that there will be a new accounting change in a few years and that may change some of the financial reporting and funding calculations. The new accounting standards will require certain actuarial methods and narrower parameters for setting actuarial assumptions. State law currently requires Police and Firefighters' Pensions Funds to be 90% funded by 2040.

Mr. Langlois explained the other Corporate Fund budget increases. In the Public Services Department, the budget is based on an average weather year and not the current year with the drastic winter weather. Overall Village revenues are increasing by \$760,000 and operating expenses are increasing by \$673,000, which is a good indicator in that new revenues will exceed new expenditures.

Mr. Langlois stated that the FY 2014-15 Budget includes a \$100,000 contingency. There is still surplus in the MIP fund so road work time line could be changed if needed. The Department Capital transfer is consistent at \$1,250,000, which is the approximate five year average of the CIP.

Mr. Langlois reported on the capital budget and noted that \$245,000 in the budget is for the Village parking lot and lighting improvements; \$230,000 for Burlington Park

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improvements including landscaping for the wall; \$160,000 for improvements to the Memorial building; \$113,000 for replacement of police vehicles, and \$50,000 in costs for the Fire Department kitchen and that cost is covered mostly by the Foreign Fire Insurance Tax Fund. There is also \$30,000 in the budget to redo the Village website.

There was discussion regarding the road and water main work that is not in the MIP. The areas of town that have the most problems with utilities and roads were fixed first in the MIP. The MIP financing plan showed no road work in 2016 and there will be a new fund created address drainage, roadway and water main work that is not included in the MIP. For the new fund next year's budget will assume that all \$1.8 million of available funds will be spent on non-MIP projects.

Mr. Langlois stated that revenue from water and sewer sales is estimated at \$8.8 million and that 80% of what is purchased is billed to the residents. The ending fund balance from FY 2013-14 is \$3.2 million and that \$2 million is needed for the water meter replacement program. The water capital fund has \$1.1 million to fund infrastructure capital improvements. All of the expected DWC rate increase will be passed on to the residents.

Mr. Langlois reported that the Village debt will be \$16 million and it is projected to add about \$5 million with a bond sale to partially fund infrastructure.

Commissioner Morris asked about expenditures for the old HCA building. Mr. Langlois stated that a soccer team wanted to use it for a dormitory. The Village added \$50,000 to the budget for improvements that would be required for life safety issues to benefit anyone that rents the building. No work will be done until we have a revenue source.

Mr. Langlois stated that there is one correction to the budget book. It does not include the half time seasonal engineering position on the FTE staffing exhibit for the Community Development Department.

Mr. Langlois stated that KLM projections show an operating surplus of \$3,000 versus a loss from the previous year and the pool budget includes \$107,000 worth of capital improvements. Chairman Waldo asked Mr. Langlois to quantify if the infrastructure problems are growing. President Cauley commented on the plan. The Commissioners commented on issues like Graue Mill and Madison Street as projects that are not included in the MIP.

Mr. Langlois suggested that detailed review of the capital plan be delayed to the next meeting.

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Adjournment

As there was no further business to come before the Commission, Commissioner Morris moved to adjourn the meeting, seconded by Commissioner Tobia. The meeting was adjourned at 7:35 p.m.

Respectfully Submitted:

Darrell Langlois
Assistant Village Manager/Finance Director