Village of Hinsdale
Finance Commission
Minutes of the Meeting on September 1, 2011

Members Present:	Chairman Hughes, Commissioners Posthuma, Morris, Waldo and Maali
Members Absent:	Commissioner Kushner
Staff Present:	Darrell Langlois, Assistant Village Manager
Others Present:	Trustee Elder

Meeting Called to Order at 7:33 p.m.

Approval of Minutes

Chairman Hughes asked for a motion to approve the minutes of the March 3, 2011 Commission meeting. Commissioner Posthuma requested that the minutes be revised to clarify that the memorandum on Gateway was authored by Darrell Langlois, Gina Hassett, and Commissioner Posthuma. Commissioner Waldo noted a couple typographical errors. Chairman Hughes asked for clarification as to the Gateway discussion noted in the minutes. Mr. Langlois provided a synopsis as to what transpired with Gateway subsequent to the Finance Commission discussion that resulted in a 5% increase in the Village's contribution over the prior year. Commissioner Waldo motioned for the approval of the minutes for the March 3, 2011 meeting, Commissioner Morris seconded. Motion passed.

Agenda Items

Before undertaking the Agenda Items, Chairman Hughes noted that it has been a number of months since the last meeting. The Agenda format has been designed to get everyone caught up as to what has transpired since March. We will review the April 2011 Treasurer's Report to review where the year ended, the July report on where the Village is currently, and then there will be an update on other financial matters.

Review and Discussion of the April, 2011 Treasurer's Report

Mr. Langlois noted that sales tax revenue ended the year at $2.6 million, which was $229,000 or 9.6% above the prior year. Income tax receipts totaled $1.4 million, which was 1.8% below the prior year but ahead of budget as a reduction of 5% was assumed. The state ended April 30 three months in arrears. Going forward we expect state distributions to be about 5% below current levels due to changes in census. Food and beverage tax ended the year 7.8% over the prior year. Property tax collections were 99.2% of budget; about $17,000 of the under budget performance is timing-related. Utility tax revenues ended the year 4.8% below budget but above the prior year. Permit revenues were above budget and $405,000 above the prior year due to receipts from Hinsdale Hospital.

Legal Fees ended the year approximately $50,000 below budget. Commissioner Waldo questioned the status of the two new platform tennis courts and the fund raising status. Mr. Langlois reported that overtime costs in both the Police and Fire Departments ended the year over budget due to the effect of staffing reductions resulting in more overtime to meet minimum manpower requirements. Appropriate adjustments have been made going forward. Chairman Hughes questioned a number a salary related variances that Mr. Langlois provided an explanation for. In summary, the end of year operating results were favorable, which enabled the Village to transfer $1.4 million to the Infrastructure Fund, which was $900,000 above the amount budgeted. The ending fund balance was $4,142,000 which is 26.7% of operating expenses.

Review and Discussion of the July, 2011 Treasurer's Report

Mr. Langlois presented the July 2011 Treasurer's Report. The report covers the third month of the 2011-12 fiscal year, which would be 25% on a straight-line basis. Additional information on major revenues received thought the date of this report is also addressed in some of the narrative sections.

Base Sales Tax receipts for the months of July increased by $18,631 (10.4%) and August increased by $7,593 (3.8%). This marks the twentieth consecutive monthly increase since posting an average monthly decline of 13% for the previous twelve months. Year-to-date base sales tax receipts for the first four months of FY 2011-12 total $792,963, which is an increase of $56,788 (7.7%). This variance is favorable when compared to budget as this revenue source was projected to increase 4% in the FY 2011-12 Budget. Total Sales Tax receipts (including local use taxes) for the first four months of the fiscal year total $875,632 which is an increase of $68,668 (8.56%). Commissioner Morris questioned whether these amounts include the new non-home rule sales tax. Mr. Langlois noted that these revenues would begin to be received in October.

Income Tax revenue for the months of July decreased by $2,822 (-2.1%) and for August increased by $2,358 (2.7%). Total Income Tax receipts for the first four months of FY 2011-12 total $486,779 a decrease of $5,019 (-1.02%). This variance is unfavorable when compared to budget as an increase of 2% was assumed in the FY 2011-12 Budget, but is still holding up well due to the census formula change. The State remains three months or $319,882 in arrears on payments owed to Hinsdale.

Mr. Langlois reported on property tax distributions as June is the first major tax collection month. Property tax collections through July amount to $2,627,375 which approximately 45.6% of the Village's $5.76 million tax levy.

Utility tax collections for Gas, Electric, Telecommunications, and Water Utility Taxes for July were $178,061, which is $4,362 or 2.4% below previous year's receipts. Year to date utility tax collections are $506,501, which is $963 or 0.2% above the prior year.

Building Permit revenue for July totaled $67,224, which is significantly below the amount of $433,983 received during the same period last year whereby the Village received significant non-recurring permit revenue from Hinsdale Hospital related to its expansion project. Year to date permit revenue is $270,086, which is $24,771 above the straight line budget allocation form this revenue source. Commissioner Waldo questioned whether staff could track new home permit fees from renovation permit fees, which will be investigated by staff in the context of implementing new permit software.

As July is only the third month of the fiscal year, most operating expenditures for all Departments are still well within budgetary expectations. Total legal billings through July amount to $53,865, which is tracking below budget for the first three months of the year and some of it is reimbursable from developers.

Effective May 1, 2011 the Police Pension Fund and Firefighter's Pension Fund have outsourced their accounting services to the CPA firm of Lauterbach and Amen. As such, data from these two funds has been excluded from most of the monthly Treasurer's Report presentations. Lauterbach and Amen will provide a comprehensive reporting package that I will forward periodically.

The severe storms occurring in June and July will likely result in unbudgeted costs in excess of $110,000 contained in a number of various line items in the Public Services Department. During the year we will look to find offsets in as many line items as possible but we may need to utilize part of the $200,000 contingency.

Water and sewer fees for the first three months of the year total $1,275,214 as compared to the prior year amount of $1,575,038, which is a decrease of $299,824 or 19.04%. The primary cause of this variance is a decrease in consumption due to the wet spring weather. This decrease is supported by a decrease in gallons purchased from the Du Page Water Commission; April gallons purchased declined by 17% and May gallons purchased declined by 14%. It is expected that this we will result in a decrease of $60,000 in the amount paid to DWC. On a net basis the Village is about $240,000 below budget. Beginning in June, 2011 staff has been pursuing a number of accounts that we believe have slow and stopped meters that so far has resulted in over 125 meters being changed and we still have a number of other accounts to address. Mr. Langlois expects this to have a noticeable change in water billings over the remaining nine months of the year. The was significant dialogue between Mr. Langlois and the Commission regarding water revenues and the meter situation, whereby Mr. Langlois indicated this was the only area he is presently concerned about as it relates to budget performance.

Chairman Hughes asked about the Village's water purchased versus gallons billed and how this stacks up with industry standards and what Mr, Langlois has observed elsewhere. Mr. Langlois indicated that having accounted for flow in the 85% to 90% range was desirable, and Hinsdale's rate is somewhat below that. As Hinsdale is an older town with older infrastructure and meters, the ability to increase this performance could require significant outlays in terms of meters and reading technology. Hopefully the ongoing meter replacement will improve these numbers, but eventually additional investments may be required. Chairman Hughes indicated he would reach out to Trustee Geoga and President Cauley to offer Finance Commission assistance in this area.

Commissioner Morris questioned that financial status of the pool operations. Mr. Langlois noted that pool memberships were down but most of that was offset by sales of ten day passes. On a net basis results are consistent with budget. Commissioner Morris also noted declines in KLM usage fees and Mr. Langlois indicated this is currently being reviewed.

Financial Matters Update

Since the Finance Commission has not met formally since March 3, 2011, the following update was given to the Commission on a number of finance-related issues that have occurred since March:

At the last meeting the draft budget was the major item discussed. The Commission endorsed the draft budget as presented; subsequent to this discussion there was a minor revision is some line items to adjust for the retirement of one police officer. Otherwise the FY 2011-12 Budget was adopted as presented. The adopted budget maintains a fund balance reserve in excess of 25% and includes a contingency line item of $200,000.

During the FY 2011-12 Budget process the ending General Fund balance was projected at $3,993,829 or 25.7% of operating expenditures. The actual ending General Fund balance was $4,142,476 or 26.7% of operating expenditures. It is expected that this number will be confirmed in the Village's financial audit, which is presently in draft form and will be finalized in the next 30 days.

The Village has been awarded an OSLAD State grant of $150,000 for a number of improvements at KLM Park. This award is in addition to a prior award of $150,000 from Lyons Township, used primarily for a new picnic shelter also at KLM. The Village also received a grant of $42,000 to hire additional youth summer workers in various park and recreation operations. Both grants were not included in the FY 2012 Budget. Staff are also still waiting to receive grant proceeds of $28,000 from FEMA related to 75% of the costs incurred from the 2011 Blizzard. All of the paperwork has long been submitted, but staff has been advised that the agency responsible for disbursing the funds is way behind in processing.

The FY 2012 Budget included two separate borrowings from the IEPA for capital improvements-the first loan of $444,160 relates to the Garfield Street project completed last year; the second loan of $3,683,300 relates to the Chestnut Street project, which is expect to start very shortly. All of the paperwork has been completed by the Village and approved by IEPA; we are now in the process of having the loan proceeds disbursed. The loans are payable over 20 years based on simple interest of 1.25%, which is obviously on very favorable terms.

About eighteen months ago, during the review of the Draft FY 2010-11 Budget, the Village was confronted by the need to raise water and sewer rates by 31% in order to increase funding for capital improvements and to pass along a number of rate increases imposed by the Du Page Water Commission (DWC). During the Finance Commission review of the Budget and the rate increase proposal at that time, the Commission specifically commented on the financial problems facing the Water Fund being partially related to the Village not previously passing on increases imposed by DWC. Effective May 1, 2011 the DWC once again increased wholesale water rates by approximately 10%, resulting in a projected cost increase of $190,000 annually to the Village. In May, 2011, the Village increased its water rate by 3.5% in order to pass along 100% of the rate increase to the Village's water customers.

During June, 2011 Fitch Ratings performed an update of the Village's bond rating, which ended up being upgraded from AAA-Negative Outlook to AAA-Stable Outlook. A copy of the press release is attached. There has obviously been a lot of coverage of the rating agency downgrade that Standard and Poor's (the other agency that rates Village debt) has given to the US Government and the possible impact on municipal obligations. As the Village does not receive much federal funding it is not expect that this will impact the Village's current AAA rating with S & P.

In January, 2006 the Village of Hinsdale adopted an Early Retirement Incentive Program (ERI) for IMRF employees as a budget reduction measure. As an inducement to retiree, employees over age 50 were given the option to retire under IMRF's "5+5" program whereby they would receive five years of age and an additional five years of service credit to what they had already earned at that time. In 2006 and 2007 there were 14 employees who elected to retire under this program.

The Village cost of this program is being funded over ten years and at the end of 2011 is expected to have a balance of $1,376,000 remaining. In May Mr. Langlois was approached by Dan Kaplan of Kaplan Financial Consulting, Inc. with the suggestion that the Village consider selling bonds in order to pay off the remaining ERI liability. Mr. Kaplan correctly pointed out to me that at the beginning of each year, the Village's IMRF account is assessed a charge of 7.5% on the beginning balance in its ERI liability reserve account; on January 1, 2012 we are schedule to be charged $121,609 in interest for them carrying the ERI liability.

In the refinancing proposal, the Village would issue taxable pension obligation bonds (tax exempt financing is not available for this purpose), and at today's rates we would expect the average interest rate to be around 2.25%, which would result in an interest rate savings of 5.25%. In addition, if bonds are issued this year and the ERI liability paid prior to December 31, 2011, this Village will avoid the $121,609 interest charge scheduled to be assessed by IMRF on January 1, 2012. Including issuance costs of approximately $55,000, we would expect an issue size of approximately $1,435,000, which would yield a total savings of approximately $375,000 over the next six years, split about 80/20 between the Village and the Library (they participate in IMRF with the Village).

The Village Board and Library Board have both authorized proceeding with the refinancing. We expect to sell the pension obligation bonds in October.

When the Infrastructure Investment Plan was completed in December, 2009, the Plan included a total of $13.1 million for pavement, water and sewer, and sewer separation work in the Woodlands. Including the expected resident contribution of $2 million (equal to 40% of the roadway improvements), the total cost of the project was expected to be approximately $15.1 million. Subsequent to the adoption of the plan, the Village has undertaken preliminary engineering on the project that has confirmed the $15.1 million figure, and at the present time the planning has assumed carrying out this work over a five to six year period.

During the summer, Village officials have met with the Woodlands residents to hear their feedback on the potential project as well assessing their buy-in to the required cost sharing. The required cost sharing would be financed by the establishment of a "special service area", which would consist of approximately 200 tax parcels in the Woodlands. The Village would sell special service area bonds of $2 million, with a separate property tax being levied on each parcel based on the equalized assessed value in order to fund the required debt service.

It is expected that the Village Board will be considering whether or not to move forward with this project in the next 30 to 45 days. If this project does move forward, the Village will definitely have to include additional borrowing in order to accomplish the work contemplated in the Infrastructure Investment Plan. Assuming that the work plan progresses as currently contemplated (without additional phasing of the majority of the plan or the Woodlands project), it is expected that the Village would need to borrow $18 to $20 million over the next four years.

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The severe storms that occurred in June and July will likely result in unbudgeted costs in excess of $110,000 contained in a number of various line items in the Public Service Department. We are aware of potential offsets in a number of personnel related accounts due to staffing vacancies, and staff will look to find offsets in as many line items as possible in order to minimize or avoid using any of the $200,000 contingency amount.

At the conclusion of the Financial Update, there was dialogue between the Commission and Mr. Langlois regarding the actuarial approach for determining police and fire pension contributions. Mr Langlois noted that this will likely be handled by ACA, and that the Fire Pension Board is planning on making a presentation at their next meeting. Mr. Langlois noted that Village Board has been levying taxes at the state minimum amount and funding above this would be considered during the budget process. Chairman Hughes indicated he would talk to President Cauley about the upcoming agenda for the Finance Commission including whether the pension issue should be discussed by the Commission.

Adjournment

As there was no further business to come before the Commission, Commissioner Morris moved to adjourn the meeting, seconded by Commissioner Maali. The meeting was adjourned at 9:14 p.m.

Respectfully Submitted:

Darrell Langlois
Assistant Village Manager