

**Village of Hinsdale
Finance Commission
Minutes of the Special Meeting on October 11, 2012**

Members Present: Chairman Hughes, Commissioners Balzekas, Kushner, Maali, Morris, Posthuma, Rose, Tobia and Waldo

Staff Present: Darrell Langlois, Assistant Village Manager/Finance Director

Also Present: Trustee Doug Geoga and Trustee Chris Elder

Meeting Called to Order at 7:30 p.m.

Agenda Items

Review and Discussion of the August 2012 Treasurer's Report

Mr. Langlois reported that Base Sales Tax receipts for the months of August and for September amounted to \$228,600 and \$237,841 respectively. This represents an increase of 11.5% for August and an increase of 10.8% for September. Year-to-date base sales tax receipts for the first five months of FY 2012-13 total \$1,112,685, an increase of 10.4%. This variance is favorable when compared to budget as this revenue source was projected to increase 3% in the FY 2012-13 Budget. Total Sales Tax receipts (including local use taxes) for the first five months of the fiscal year amount to \$1,217,144, an increase of 9.4%.

Mr. Langlois reported that Income Tax revenue for the months of August and September increased 0.1% for August and 3.1% for September. Total Income Tax receipts for the first five months of FY 2012-13 total \$643,357, an increase of 12.3%. This variance is favorable when compared to budget as no increase was assumed in the FY 2012-13 Budget. Regarding the delay in income tax payments from the State of Illinois, the State remains three months or \$321,000 behind the normal payment schedule.

Year to date Food and Beverage taxes earned for the first four months of the year amount to \$109,851, an increase of 5.1%. This variance is favorable when compared to budget as an increase of 3% was assumed in the FY 2012-13 Budget. Mr. Langlois reported that property tax collections through August amount to \$2,951,838, which is approximately 47.65% of the Village's \$6 million tax levy.

Combined Gas, Electric, Telecommunications, and Water Utility Taxes for the year are \$749,824, which is 7.1% above the prior year. It is expected that the hot summer will continue to have a positive impact on electric and water utility tax collections over the next several months.

Building Permit revenues for August were \$122,592, a decrease of 22.4%. The decrease is due to August of 2011 being unusually high. Year to date Building Permit revenue is \$316,956, which is a decrease of \$111,212 or 25.9% from the prior year. Park and Recreation Fees total \$561,999 which is an increase of 5.7% but the pool revenue is down a little.

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Mr. Langlois reported that most operating expenditures for all Departments are still well within budgetary expectations. Total legal billings through August amount to \$60,482, which is tracking below the prior year and is tracking below budget.

Mr. Langlois reported that for the first four months of the year total water and sewer billing revenue was \$3.2 million, which is \$734,000 over budget, due mostly to the dry and hot summer. For the month of August, water and sewer revenue was \$449,922 above the prior year; approximately \$90,000 of this large increase is due to there being approximately 10 more reading days in the billing this year as opposed to last year.

On August 14, 2012 the Village sold \$5.0 million in bonds to fund capital projects. The 20 year average rate was 2.09%, and as part of this process the Village's AAA bond rating was reaffirmed by both Fitch and S&P. The actual bond proceeds were received by the Village on September 5, 2012. In mid-November we expect to sell Special Service Area Bonds of \$1.575 million.

Review and Discussion of Water Meters and Water Meter Reading Systems

Chairman Hughes asked Mr. Langlois to break down the report into background and recommendations and reminded the Commissioners that they can refer to the power point presentation for reference.

Mr. Langlois summarized the operating statement and explained the total billings. Approximately 78% of the water purchased is billed to the consumers. He explained the water rate increase history and how it has been a struggle to meet the annual \$1.5 million contribution towards infrastructure improvements.

Mr. Langlois explained how much water quantity is purchased from the DuPage Water Commission and the resulting affects on the amount of revenue received. The budget is based on a little less than average consumption year. Mr. Langlois noted that the average will likely trend downward with less irrigating by consumers due to the cumulative effect of the rates increases.

Mr. Langlois explained the unaccounted for water. Mr. Langlois explained that Municipal use is only about 1%. Industry trends and IDNR requirements would indicate that 85 -90% of the water purchased should be billed to residents. Mr. Langlois explained the slide regarding the loss of water. Mr. Langlois explained the minimum usage billing system, which inaccurately inflates to the quantity of water billed to residents.

Mr. Langlois explained the steps involved in the water system. There was discussion among the Commissioners regarding IDNR and Mr. Langlois was asked if there would be any penalties. Mr. Langlois reported on how meters are identified as being bad. Staff

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has to visibly go through each report to find all of the meters that may have stopped, which is a difficult process separating stopped meters from slow moving meters and meters in unoccupied homes.

Mr. Langlois explained that it would be extremely difficult to phase the replacement program in because there is only one staff member in water billing and very limited staff in the water department to change meters. The Commissioners discussed billing rates and recommended moving away from minimum billing. Mr. Langlois believes a fixed monthly service charge is a better option than minimum billing.

Mr. Langlois explained that water meters are expected to last 15 to 20 years. Technology has improved in how meters are read as well as meters being more accurate overall . The water department utilizes SCADA technology to monitor system pumpage and give indication of water main leaks, so it is believed that the age of water meters is a big problem causing unaccounted for water and billing loss. 3800 water meters are at least 20 years old and would cost over \$570,000 to replace them. If meters are replaced in-house only 600 could be replaced annually, meaning it would take about seven years to replace all old meters.

Mr. Langlois explained data used to determine the age of the meters and about 65% are more than 20 years old. 500 have been replaced this year and these are state of the art meters in measuring water accurately. The increased revenues would pay for the cost of the new system. Chairman Hughes asked Mr. Langlois if the goal is for the user fees to pay for the system. Mr. Langlois stated that the true cost of the infrastructure is more than \$1.5 million. Mr. Langlois will prepare a budget using different amounts for the Commission. There was discussion among the Commission and Mr. Langlois regarding the capital needed for the fund.

Chairman Hughes stated that 7% of the users are non-residents. Chairman Hughes discussed what the options are for funding. Mr. Langlois commented on the five year plan for water main work. There is no funding source for water main replacement that is not included in the MIP. Chairman Hughes stated that this should be part of budget and rates discussion.

Mr. Langlois stated that the issue is accountability; the people using the water are the ones that need to pay for it. Mr. Langlois explained the three options and how water meters are read. The village relies on one person to read all the meters and it is very slow as routinely 50 or 60 days may elapse from the time a meter is read until it is billed. Any meters missed are read by Public Services staff. Mr. Langlois explained how the meters are read and the current reading system is 25 years old. Radio reading technology is the new way to read meters and is powered by batteries that last 20 years.

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Mr. Langlois commented on the concerns he has regarding the vendors going into the homes of residents. The installation contract would go to the company bidding on the job.

Chairman Hughes asked Mr. Langlois for his recommendation. Mr. Langlois believes all of it should be done on the accelerated program. The savings are greater in the first years. The Commissioners discussed rate information and that each month \$50,000 is lost in slow or stopped meters. Mr. Langlois stated that \$1.9 million is the cost estimate of the project. The Commissioners agreed that the meters need to be replaced on an accelerated basis, the funding of the project would be financed, and the project should also incorporate the new meter reading technology.

Mr. Langlois stated that the next step will be preparing an agenda item to go before ACA that will authorize the issuance of a RFP for the project.

Adjournment

As there was no further business to come before the Commission, Commissioner Waldo moved to adjourn the meeting, seconded by Commissioner Tobia. The meeting was adjourned at 9:25 p.m.

Respectfully Submitted:

Darrell Langlois
Assistant Village Manager/Finance Director