

**Village of Hinsdale
Finance Commission
Minutes of the Special Meeting on February 26, 2015**

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

Members Absent: Commissioners Maali and Posthuma

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

Also Present: Trustee Elder; Trustee Hughes arrived at approximately 8:00 p.m.

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

Approval of Minutes

Chairman Waldo presented minutes from the June 24, 2014 meeting that were tabled at the January 5, 2015 meeting so that several revisions could be made. Commissioner Morris moved for approval of the minutes, Commissioner D'Arco seconded. The minutes were unanimously approved.

Chairman Waldo asked for a motion to approve the minutes of the January 5, 2015 Commission meeting. Commissioner Morris moved for approval of the minutes, Commissioner D'Arco seconded. The minutes were unanimously approved.

Agenda Items

Review and Discussion of the December 2014 Treasurer's Report

Mr. Langlois reported that base sales tax receipts for the months of December (September sales) decreased by of \$12,300 (-5.4%) and for January (October sales) increased by \$11,300 (4.9%). Although not reported, receipts for February were up 15,000 or 7.2% (we had projected a 3% decline. Year-to-date base sales tax receipts for the first nine months of FY 2014-15 total \$2,140,000 as compared to \$2,078,000 for the same period last fiscal year, an increase of \$62,000 (3.0%). This variance is right in line when compared to budget as this revenue source was projected to increase 3% in the FY 2014-15 Budget. Going forward, the impact of declining gasoline prices will likely start to have a negative impact on sales tax revenue. Total Sales Tax receipts (including local use taxes) through for the first nine months of the fiscal year total \$2,378,000, an increase of \$94,000 (4.1%).

Income Tax revenue for the months of December (November liability) decreased by \$2,600 (-3.1%) and for January decreased by \$17,500. Total Income Tax receipts for the first nine months of FY 2014-15 amount to \$1,171,125 as compared to \$1,217,269 for last fiscal year, a decrease of \$46,144 (-3.8%). Although not reported, February collections were up 40,000 or 25%. Counting the February payment income tax collections are at

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\$1,381,000 which is now only 0.4% below the prior year. While down compared to the prior year, during the budget process we noted that the May 2013 receipts were unusually high; in order to address this, during the budget process we projected a 20% decline in May receipts. In comparison with budget, the year to date amount is now \$25,000 over budget.

Regarding the delay in income tax payments from the State of Illinois, the State made two payments in January and now is only \$137,000 or one month behind the normal payment schedule.

Chairman Waldo asked Mr. Langlois if there was any indication as to why the February income tax payment was so high, which he replied that he was not aware of anything specific as to what might have caused such a large increase

Food and Beverage tax revenue for December amounted to \$36,700, which was an increase of \$8,900 (31.9%). Year to date Food and Beverage taxes earned for the first eight months of the year amount to \$246,200 an increase of \$13,800 (5.9%). This variance is favorable when compared to budget as an increase of 3% was assumed in the FY 2014-15 Budget. The Village is close to finding a restaurant tenant for the Brush Hill train station space, which will have a positive impact on this revenue source going forward

The results for the IMET Convenience Fund have not assumed there is a loss from the fraud issue with the First Farmers Financial repurchase agreement, of which Hinsdale initially had \$64,912 at risk. On February 11, 2015 we received a distribution from the liquidating trust of \$1,131, lowering the Village exposure to \$63,781. Accounting standards will require us to write this investment off and recoveries in subsequent years will be treated as investment income.

Combined Gas, Electric, Telecommunications, and Water Utility Tax revenue for December was \$156,000, which is \$700 or 0.5% above previous year's receipts. Year to date Utility Tax receipts amount to \$1,292,410, a decrease of \$85,158 or 6.2%. For the year, utility tax collections are projected to be \$146,600 below budget of which \$131,000 is attributed to declines in telecommunications tax revenue.

Several months ago we received specific tax payer payment information and compiled the data for a two year period. As a result of this review, we have noted several unusual changes but most of the decline is isolated to one large tax payer. We have made inquiries with the Illinois Department of Revenue in late October and again in early December as to the causes of the unusual changes. In February we received an unsatisfactory and incomplete response and have written back requesting further information. That being said, declining telecommunications tax revenue is consistent with a statewide trend. Mr. Langlois noted the difficulties he has had getting the Illinois Department of Revenue to actively pursue this matter.

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Building Permit revenues for December were \$181,000, which is \$65,000 or 56.0% above the prior year. For the first eight months of the year, total Building Permit revenue stands at \$1,780,000, an increase of \$742,000 or 71.5%. Even though over \$300,000 of the increase relates to the Hinsdale Hospital Cancer Treatment Center, the remainder is still well above budget. The year to date amount already puts the Village over the annual revenue budget by \$427,000, with total year end receipts currently projected to be \$837,000 over budget.

Mr. Langlois noted that the five year average revenue directive that was given by the Finance Commission for the FY 2015-16 budget may be adjusted upward do to a possible increase in rates for permits. Commissioner Morris asked if staffing had been changed to address the high permit volumes. Mr. Langlois noted that some additional staffing had been added

OPERATING EXPENDITURES:

As December is only the eight month of the fiscal year, operating expenditures for all Departments are still within budgetary expectations. Staff has continued to monitor departmental expenditures, including overtime.

Although not yet reported, the Village did incur significant costs in responding to the early February blizzard. As a result of this, overtime costs are presently over budget by \$12,000; in addition we had to use approximately \$10,000 in outside contractors to assist with snow removal. Village Manager Gargano noted that the amount spent for salt had also exceeded budget.

Mr. Langlois noted the water purchased graph, which illustrates that water purchased from the DuPage Water Commission for the months of July to November was down 19.8% as compared to the prior year. For the month of December water purchased was only 7.6% below the prior year, but this was the point last year where we started notice significant water leakage form undetected water main breaks due to the harsh winter. When comparing December 2014 usage to the previous 12 year average, water purchased actually increased by 2%. Hopefully we are seeing the end of the low use pattern as this has a major effect on Water Fund revenues as year to date revenues are \$1,168,000 below the year to date budget.

Assistant Finance Director Webber reviewed the status of the water meter replacement project, whereby he noted that there had been 1,182 installations completed, which is about 22% of the project. The vendor is currently running ahead of schedule. The new reading system has already helped us address several leak situations with Village residents.

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Mr. Langlois noted that the Governor's budget would reduce the Village's share of the Local Government Distributive Fund (LGDF) by 50% which would potentially have an impact of \$800,000 to Hinsdale. Ms. Gargano noted that the threat of reductions in the local share of LGDF is a frequent target by the State, and that a reduction this high is very unlikely but there seems to be a very real threat this time that there may be some reduction. Village staff will prepare a contingency plan in the event that revenues are reduced, and that most capital spending will be put on hold until the State passes its budget.

Chairman Waldo noted the strong operating reserve numbers indicated in the December Treasurer's Report and also noted that almost all of the favorable financial results projected for FY 2014-15 are due to the strong building permit revenue numbers.

Review and Discussion of the FY 2015-16 to FY 2019-20 Capital Improvement Plan

Village Manager Gargano provided an overview of formulation and organization of the FY 2015-16 to FY 2019-20 Capital Improvement Plan (CIP). The plan includes all items over \$10,000, except for those items that are included in the MIP. It is expected that items in the first year of the five year plan will form the basis of the capital items for the FY 2015-16 Budget. Ms. Gargano also noted the plan attempt to smooth out the spending over the entire five year period. Chairman Waldo asked how often we review the life expectancy of vehicles; Ms. Gargano noted that reliability and maintenance costs are more of a determining factor as to when a replacement is made.

Ms. Gargano noted that the total amount in the CIP for FY 2015-16 is \$1.7 million. This amount includes \$247,000 for new parking pay boxes downtown, which are expected to pay for themselves in about one year due to increased parking fees. The implementation of this program is still to be discussed by the Village Board. Commissioner Morris asked if the numbers were similar to the prior year. Mr. Langlois noted that the numbers are similar but the parking pay boxes and safety bollards on Washington Street were new items. With new management some of the capital expenditures in Public Service have been re-prioritized.

Ms. Gargano also noted that there is a pool survey being contemplated to try to address the consistent decline in pool memberships. Chairman Waldo asked about the \$50,000 in improvements scheduled for the Arts Center Building. Ms. Gargano noted that this is on hold until a tenant is secured. Ms. Gargano noted a \$30,000 roof study to plan for significant future expenditures to repair/replaces the roofs at a number of Village buildings. The CIP includes \$198,000 for exterior improvements to the Brush Hill Train Station.

There was extensive discussion between the Commission members and Village staff regarding the meter pay boxes, the elimination of parking meters, and raising the rates

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for parking downtown in order to manage the problem of employees parking downtown. There was also discussion about the proposed safety bollards on Washington Street, and Chairman Waldo noted concerns about the precedent this could set in terms of cost should other areas in downtown want bollards installed.

Village Manager Gargano reviewed vehicle purchases for the Public Services Department. Due to the \$135,000 cost, Commissioner Morris inquired as to whether renting the Aerial Forestry Truck would be better economically. Mr. Langlois noted that this piece of equipment is used extensively, almost on daily basis, which results in purchasing being a better decision. There would also be concerns having an aerial truck available in times of emergency.

Commissioner Tobia again brought up concerns about the potential increase in parking fees and would like to discuss this further at another meeting. Mr. Langlois said he would circulate a copy of the CMAP study that made this recommendation. Chairman Waldo asked if there had been any discussion in regards to earmarking incremental revenue. Trustee Hughes noted that the intent of the program is not to generate additional revenue but to free up spaces for shoppers. This may result in additional funds that could be spent in the Central Business District.

Commissioner Morris asked about the parking resurfacing projects at KLM and how these projects are funded. Mr. Langlois noted that these items are part of the Park and Recreation Budget and in funded by the General Fund. There was dialogue about a number projects that benefit specific user groups and the appropriate costs sharing should be pursued.

Ms. Gargano reviewed an update to the Master Infrastructure Plan that was previously presented to the Village Board.

New Business

There was no new business discussed by the Finance Commission.

Adjournment

As there was no further business to come before the Commission, Commissioner D'Arco moved to adjourn the meeting, seconded by Commissioner Morris. The meeting was adjourned at 8:54 p.m.

Respectfully Submitted:

Darrell Langlois

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Assistant Village Manager/Finance Director