Village of Hinsdale
Finance Commission
Minutes of the Special Meeting on June 28, 2017

Members Present:	Chairman Waldo Commissioners Boomer, Tobia, Parvataneni, and Risinger (by telephone)
Staff Present:	Darrell Langlois, Assistant Village Manager/Finance Director, Kathleen Gargano, Village Manager; Alison Brothen, Assistant Finance Director, Brad Bloom, Assistant Village Manager/Director of Public Safety, George Peluso, Director of Public Services; Dan Deeter, Village Engineer
Also Present:	Trustee Hughes

Meeting Called to Order at 7:32 p.m. Chairman Waldo noted that Commissioner Risinger was participating by telephone but there was a physical quorum present.

Approval of Minutes

Commissioner Boomer moved approval of the April 4, 2016 minutes, seconded by Commissioner Parvataneni. Chairman Waldo noted a clarification of the minutes regarding Commissioner Morris' comments regarding the investment performance of the pension funds and will be forwarding non-substantive edits to Mr. Langlois. Minutes were unanimously approved.

Commissioner Boomer moved approval of the December 12, 2016 minutes, seconded by Commissioner Tobia. There were two points of clarification made by Chairman Waldo. Minutes were unanimously approved.

Agenda Items

Review and Discussion of the April 2017 Treasurer's Report

Mr. Langlois presented the April 2017 Treasurer's Report. The report covers the twelfth and last month of the 2016-17 fiscal year (100.00% on a straight-line basis). Mr. Langlois noted that the year-end results are nearly complete, but it is still expected that there will be some accounting adjustments as staff works its way through the audit process, which is expected to begin in July.

Base Sales Tax receipts for the month of April (January sales) amounted to $208,000 as compared to prior year receipts of $193,000, which is an increase of $15,000 (7.9%) for April. Year-to-date base sales tax receipts for the twelve months of FY 2016-17 total $2,733,332 as compared to $2,717,016 for the same period last fiscal year, an increase of $ 16,316 (0.6%). This variance is unfavorable when compared to budget as this revenue source was projected to increase 3%. Total Sales Tax receipts (including local use taxes) for the twelve months of the fiscal year total $3,144,189 as compared to $3,104,009 for last fiscal year, an increase of $40,179 (1.3%).

Income Tax revenue for the month of April (March liability) amounted to $168,803 as compared to prior year receipts of $162,733, which was an increase of $6,070 (3.7%) for April. Total Income Tax receipts for FY 2016-17 amount to $1,589,529 as compared to the prior year amount of $1,792,124, which is $202,595 or 11.3% below the prior year. Approximately $60,000 of this variance was expected as May receipts in 2015 were unusually high; in comparison with budget receipts were $167,000 below.

The FY 2016-17 Budget amount for income tax equates to $104.47 per capita, which is very close to the per capita amount of $104 that was projected by a consultant hired by the Illinois Municipal League in July, 2015 to make revenue projection for municipalities. Village staff had previously corresponded with IML regarding the cause of the decrease. After researching this issue with the Illinois Department of Revenue, in December IML decreased its per capita projection to $97.20, but did not uncover a real cause of the decline. Their review did indicate that some of this decline could be temporary as the State works through a computer conversion, but they are continuing to review this issue with the State. The Department of Revenue will be having a seminar in July to provide information regarding the change in income tax receipts.

Mr. Langlois noted that the State budget impasse is ongoing and the State budget year expires on July 1; it is still unclear when this issue will be resolved. There was general dialogue regarding the impact that the State budget impasse is having on the Village. IDOT is supposed to cease road work on July 1 without a new budget. Village Manager Gargano provided information on the status of a number of bills being considered before the State legislature and the possible impact on schools opening in the fall. Absent a State Budget, Illinois will no longer be able to participate in several national lottery programs, which will add to the State's revenue shortfall.

Food and Beverage tax collections for April amounted to $26,017 as compared to the prior year amount of $32,586, a decrease of $6,569 (20.2%). Year to date Food and Beverage taxes collected for the year amount to $422,734 as compared to the prior year amount of $417,799 an increase of $4,935 (1.2%). This variance is slightly unfavorable when compared to budget as an increase of 5% was assumed in the FY 2016-17

Regarding Property Tax Distributions, approximately 90% of the Village's property tax base is located within DuPage County. Property tax collections for the year amounted to $6,708,952 which is approximately 100.9% of the Village's $6.64 million tax levy.

Natural Gas, Electric, Telecommunications, and Water Utility Taxes for April were $121,552 which is $31,020 or 20.3% below previous year's receipts. Year to date Utility Tax receipts amount to $1,926,392 a decrease of $64,860 or 3.3% from the previous year. The tax on natural gas has increased, but Telecommunications Tax revenue was $129,000 below budget.

Building Permit revenues for the year totaled $1,562,492, a decrease of $526,642 or 25.2% from the prior year as FY 2016 permit revenues were unusually high. The end of the year results are $34,000 higher than estimated during the budget. In comparison with budget, year to date permit revenue is $113,108 below budget.

Based on the preliminary close, the end of year unrestricted fund balance is $4,275,749, which is equal to 26.25% of actual operating expenses, well above the minimum fund balance policy percentage of 25%. Total fund balance, which includes the departmental capital reserve, is $5,552,840 which equates to 32.04% of total expenditures. This exceeds the 28% target given by the Finance Commission during the budget process. As noted previously, this amount is still subject to change as there will be additional accounting entries, but the expected actual ending fund balance should be consistent with these results.

Commissioner Tobia noted the substantial increase in overtime costs; Mr. Langlois explained that there were a number of vacancies in staffing that required overtime coverage, so most of this is offset by savings in full time payroll costs. Ms. Gargano also noted there were two significant investigations in the Police Department that required significant amounts of overtime. Commissioner Tobia also noted declines in Park and Recreation user fees; Mr. Langlois noted the KLM fees and pool fees were below budget expectations. There was also discussion about the Police and Fire Pension contributions and it was noted that the Village is not expecting to make a discretionary contribution due to changes in the mortality table increasing the Village's required contribution by more than $200,000.

Chairman Waldo and Commissioner Tobia commended staff for the FY 2016-17 operating performance, noting that operating results enabled the Village to make a contribution of $700,000 to the Annual Infrastructure Fund and that the budget projections were very accurate. The total ending fund balance (including the capital reserve) of 32% well exceeded the Finance Commission's target of 28%.

Introduction to Water and Sewer Rates

Trustee Hughes provided an overall commentary on Water and Sewer rates, noting that rates were increased in 2010 to fund part of the MIP and then the Village passed on a number of the DuPage Water Commission increases. Although the Village is covering operating costs, the rates are still not adequate to make the water utility self-sufficient. Guidance from the commission is requested as to how to approach the water rate structure.

There was general discussion about the Village's $1.5 million funding target towards the Water Fund contribution to the MIP and the history of how this was determined. There was general discussion on water leakage and historical water pumpage. Chairman Waldo asked how much of the MIP work is left to be spent on water and sewer improvements; Mr. Langlois estimated that amount to be between $5 million and $8 million.

Mr. Langlois gave a Power Point presentation on water and sewer rates. Commissioner Tobia noted the usage decline and questioned whether there were fewer water main breaks and more efficient plumbing fixtures. There was general discussion about water accountability and improvements due to the meter replacement program.

Chairman Waldo recommended that a subcommittee be formed to review water rates and report their findings back to the Commission at a future meeting. Mr. Langlois will coordinate finding volunteers through e-mail.

Discussion Regarding the Accelerated Infrastructure Program

George Peluso, Director of Public Services, gave a presentation and began with an overview of the work that was planned for this summer in the Central Business District (CBD), which will involve repaving the streets and installing 23 brick crosswalks. Trustee Hughes provided background information on the history of the MIP. Village Manager Gargano described the information outreach program to the business community during the upcoming construction.

Mr. Peluso next provided an overview of the Accelerated Infrastructure Program. The program contemplates accelerating all of the MIP work originally contemplated through 2023 so that all of the work will be completed by 2019. Mr. Peluso reviewed the proposed accelerated schedule. Ms. Gargano noted that there are sump pump discharge improvements included as part of the accelerated schedule. Commissioner Waldo asked if the Village had contemplated passing some of this charge on to homeowners, but Ms. Gargano noted that many of the discharge problems are a result of direction given by the Village. Chairman Waldo noted the damage done to Village roadways from construction traffic and "cut ins" from new construction. Ms. Gargano noted that demolition permit fees were just increased, partially in recognition of this cost. At the end of the presentation, Chairman Waldo noted that the cost of the proposed CBD parking garage would add additional cost to this program.

Trustee Hughes described the information he is seeking from the Finance Commission. He sees the Commission advising as to 1) what investments do we make and 2) how do we fund these. He noted that in the plan given by Mr. Peluso, only the first year had been approved by the Village Board. He noted that the Finance Commission played a major role in the original MIP in 2009-10. He noted that at the end of the MIP we had expected that there would be an annual "run rate" of annual infrastructure expenses of $2.25 million per year once all of the "catch up" work had been completed. He noted that the problem facing the Village is the catch up work was not happening fast enough based on the feedback from Village residents. The Finance Commission can be helpful in terms of evaluating the original MIP accelerated plan versus our actual experience, and how much should the annual "run rate" maintenance amount be at the completion of the accelerated plan.

Chairman Waldo asked Trustee Hughes to describe the role that indebtedness will have on the accelerated plan. Trustee Hughes noted that the original MIP was based on using current revenue and two $5 million bond issues. The new plan contemplates issuing $30 million in bonds over three years in order to get the work done quickly and to avoid more roads from needing to be completely reconstructed as a result of waiting. Mr. Langlois noted that the $30 million bond issuance program includes the cost of the parking garage. There was general discussion on the bond rating process and the possible impact on the Village's AAA bond based on the bond issuance program. It was noted by Mr. Langlois that in the opinion of the Village's financial advisor, the bond program would not impact the Village's bond rating.

Mr. Langlois noted that the financial projections for the accelerated program, after payment of both existing and proposed debt service, will still result in $2.7 million being left over annually for infrastructure work. Mr. Langlois noted that there is an expiring bond issue in 2017 that has been earmarked to fund 2/3 of the debt service related to the parking deck. The projections are conservative in that General Fund surpluses in the future have not been included, and there has typically been surpluses each year that are earmarked for infrastructure work. Mr. Langlois noted that the various funds associated with accounting for infrastructure expenditures will be consolidated during the next budget cycle.

Mr. Langlois reviewed a present value cost analysis of the accelerated program. The discounted cost (or net present value, NPV) using a 3% discount rate is estimated at $8.5 million; some of the cost is due to the 20 year term of the new bond issue and the cost of the parking garage, which was not in the original MIP. He also included a calculation that shows savings due to doing work now versus five year from now. Considering all of these factors, the estimate present value cost of accelerating the MIP is reduced to $5.2 million. Mr. Langlois also presented the estimates using both a 4% and 5% discount rate.

There was general discussion about the engineering consulting process in getting ready for 2018 and 2019 work. Engineering work for the 2018 program is underway, but Trustee Hughes noted that even though work has started some of the work could still be deferred for some period of time, but the engineering would not change. Bidding for the 2018 road work is expected in February, 2018.

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There as direction from Trustee Hughes and Chairman Waldo to form a subcommittee of two Trustees and two Finance Commissioners to work on the accelerated infrastructure program and estimating the “run rate” annual maintenance expense to budget each year subsequent to the completion of the program.

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 Boomer moved to adjourn the meeting, seconded by Commissioner Tobia. The meeting was adjourned at 10:15 p.m.

Respectfully Submitted:

Darrell Langlois
Assistant Village Manager/Finance Director