

**Village of Hinsdale
Finance Commission
Minutes of the Meeting on March 3, 2011**

Members Present: Chairman Burrridge, Commissioners Kushner, Posthuma, Morris, Hughes, Elder, and Waldo (by phone)

Members Absent: Commissioners Aggarwal and Maali

Staff Present: Darrell Langlois, Assistant Village Manager

Others Present: President Tom Cauley, Trustees Doug Geoga, Bob Saigh, and Kim Angelo

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

Approval of Minutes

Chairman Burrridge asked for a motion to approve the minutes of the February 3, 2011 Commission meeting. Commissioner Hughes motioned for the approval of the minutes for the February 3, 2011 meeting, Commissioner Morris seconded. Motion passed.

Agenda Items

Review and Discussion of the December, 2010 Treasurer's Report

Due to the FY 2012 Budget being the major discussion item Mr. Langlois gave an abbreviated Treasurer's Report. The delay in State Income Tax has now been reduced to from a high of five months to three months currently. The increase in the state income tax rate will hopefully enable the state to reduce this payment lag. Mr. Langlois also noted that at the State level the funding for a bill that will allocate \$500 million to local governments was found to be unconstitutional, putting in doubt subsequent payments to Hinsdale. The 2012 Budget has not included any subsequent payments. Mr. Langlois also noted that preliminary census data has been reported in the newspapers, indicating a 3% decline in Hinsdale's population. If this holds true the formula change would result in a decrease of about 5% or \$100,000 in per capita revenues.

Review and Discussion of Draft FY 2011-12 Budget

Trustee Geoga gave a presentation to the Finance Commission on the Draft FY 2011-12 Budget. Trustee Geoga noted that the Budget is built around President Cauley and the Board's expressed goal of prioritizing infrastructure improvements and outlined his view of the core financial strategy. This includes:

- Undertaking as a top priority over a period of years a major program to address deferred maintenance of streets and sewers. The size of the task is so large that it requires funding from a combination of:
 - Surpluses from general government operations

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- Restoring the integrity of the village's water operations to generate funds for capital expenditures and eliminating the deficit that was inherited by the current board.
- New revenues from a sales tax increase dedicated to infrastructure
- Aggressive pursuit of grants and other government funding
- Wise application of traditional capital funding sources
- Provide essential Village services in a more efficient manner, thereby allowing the size of village government to be permanently reduced and creating the necessary surpluses for infrastructure
- Comply with the Village's other statutory and contractual obligations

The FY 2012 Budget projects a General Fund surplus of \$1.1 million to be used towards infrastructure funding. The ending corporate fund balance is project to be 25.4%, which exceeds the budget policy of 25%. This budget also includes a contingency of \$200,000. The budget contemplates \$7.75 million in infrastructure work planned for in the MIP; low cost borrowings will fund \$4.65 million of the work. Chairman Burridge questioned whether the Village should consider additional borrowing due to the low interest rate environment; Trustee Geoga replied that we are trying to stay as close to "pay as you go" as possible while staying with the MIP schedule, also in order to not burden future boards with debt service. Commissioner Hughes also noted that there is a limit to the amount of work the Village can manage in a given year. There was general discussion between the Commission and Trustee Geoga about how the borrowing information is presented in the budget presentation and the borrowing/infrastructure relationship in future years.

As it relates to personnel, headcount is expected to remain at current target levels. Police salary increases are based on their current collective bargaining agreement. For other employees increases are based on CPI of 1.5% in addition to a 3% merit based component in lieu of the historic 5% step feature for employees moving through pay grades. Commission Posthuma asked if there was thought to further staff reductions. Trustee Geoga noted that this was considered, and President Cauley responded that staffing in the public safety areas is about as lean as it can get. President Cauley also noted that last year he and Trustee Geoga met with all the departments individually to review the budget and staffing levels and does not see the ability to reduce staff without effecting essential service levels.

Trustee Geoga reviewed the listing of non-infrastructure capital, both what is included and what has been deferred. The was general dialogue between the Commission, Trustee Geoga, and Assistant Village Manager Langlois about what items have been included and which have been deferred , and the impact of the deferrals on of future budgets.

Regarding contributions to the Police and Firefighter's Pension Fund, Trustee Geoga noted that these contributions are the statutory minimum contributions consistent with

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legal advice related to the new pension funding legislation. Commissioner Morris noted that he would have expected contributions to increase when in fact the amounts decreased. Trustee Geoga noted that the new law lengthened the amortization period from 2033 to 2040 and lowered the funding target from 100% to 90%.

Trustee Geoga noted that subsequent to the draft budget there are a number of items, both positive and negative, that in the aggregate would not materially change the budget presentation and he would recommend leaving the budget as it is.

Commissioner Hughes commended the budget and noted that the budget keeps the fund balance at 25% which is good but in the future we may want to improve upon the number. President Cauley noted while that is true, everything in fund balance above 25% is taking away what could be spent on fixing roads. President Cauley is in favor at keeping the Corporate Fund balance just above 25% until we address the MIP. Commissioner Kushner commended the budget and budget presentation, it is clear we are spending wisely and has the correct priorities. Chairman Waldo noted that the budget strikes the correct balance between the needs of the MIP and corporate reserve policy. He also questioned the reduction of contingency from \$300,000 in FY 2011 to \$200,000. The consensus of President Cauley and Trustee Geoga felt the reduction in the large number of unknowns is justification is the reduction.

Sub-Committee Report on Gateway Special Recreation Association

Commissioner Posthuma presented a memo he prepared on the Village's membership in Gateway Special Recreation Association. He noted that Gateway is a cooperative of nine different agencies whose purpose is to provide recreation opportunities to disabled individuals. The organization is funded by a tax levy and based on population and user fees. The tax levy is exempt from the tax cap. The Ray Graham Association provides the special recreation services, and about 20-25 Hinsdale residents participate in Gateway programs.

Trustee Geoga asked the subcommittee to review Gateway due to increased contributions by about 25% cumulative over the last 3 years. In addition the City of Countryside is leaving Gateway. The percentage increase change is concerning in light of what has been going on with the Village's budget.

The report gives cost containment ideas that could be considered by the Gateway membership. He noted that there are other special recreation agencies in the area that the Village could consider but are not as convenient to Hinsdale and since costs are allocated by assessed value, this would likely be a detriment to Hinsdale. He also discussed the option of providing special recreation programs here in Hinsdale, and also considered having Hinsdale residents participate in Gateway programs at the non resident rate with the Village subsidizing the difference. While this may be an option,

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there are concerns that if the Village withdraws in could lead to Gateway disbanding as Hinsdale makes up about 20% of the funding.

For the upcoming year the subcommittee recommends that the Gateway contribution be frozen at the current rate. The Gateway board and Ray Graham are in a better position to decide and prioritize how to best keep the budget flat, but the Village contribution should not be increased.

Chairman Burrige asked about the qualification of the Ray Graham employees. Trustee Saigh, who was an employee with the agency, provided background information on this subject. He also noted the reduction in state funding the agency has experienced recently. The Ray Graham agency and Gateway programs have a very good reputation.

The Commission concurred with the subcommittee report, which will further discussed at the next ACA meeting.

Adjournment

As there was no further business to come before the Commission, the meeting was adjourned at 9:30 p.m.

Respectfully Submitted:

Darrell Langlois
Assistant Village Manager