

FINANCE COMMITTEE MEETING

March 30, 2009

Chairman Sullivan convened a Finance Committee Meeting on Monday, March 30, 2009 at 6:15 p.m.

Meeting convened

Attendance: Trustees Sullivan, Cancelli, and Meier.

Attendance

Also present: Mayor Kessler, Administrator Lobaito; Assistant Administrator Flynn; Finance Director Hatton; Engineer Emmerich; Director of Building Schubkegel; Chief Sashko, MFD; Deputy Chief Leidig, MFD; Deputy Chief O'Brien, MPD; Commander Richards, MPD; Commander Hansen, MPD; Deputy Public Works Director De Vito; Assistant Public Works Department Director Thompson; Director of Planning Barrera; IT Supervisor Pedraza;

Finance Chairman Sullivan explained that this evening's budget discussion would focus on a high level overview of the budget, the operations budget, and revenues and expenditures. Chairman Sullivan turned the meeting over to Village Administrator Lobaito.

Topic: Budget discussion

Administrator Lobaito summarized the budget meeting schedule. He drew the Board's attention to the Capital Improvement Plan and the vehicle equipment funds discussion scheduled for April 6, 2009. The vehicle equipment fund is a new proposal. He encouraged the Board to review the CIP carefully in preparation of next week's meeting.

Budget meeting schedule summary

Administrator Lobaito explained that this year's budget has been reviewed thoroughly and all operating expenditures have been pared down to the bare minimum. This year there is a severe reduction in revenues, so expenditures have been cut drastically. As presented, the budget depends on a transfer of \$1/2 million from corporate reserves in order to balance. He emphasized that the revenue shortfall situation is likely to continue through 2010 and 2011, which makes it very important to make conservative revenue projections.

Explanation re: revenue shortfall and reduction in expenditures

This year's budget philosophy has been to maintain current service levels, maintain current community events and programs, maintain the current workforce, reduce operational expenditures to match revenue projections, increase funding for the street program, increase the water and sewer depreciation fund, and plan for a two year recession.

Budget philosophy explained

The total of all funds is \$59,350,006, anticipated revenues of \$38,283,946, and projected expenditures \$43,127,087, leaving an estimated all funds balance at the end of the fiscal year of \$54,507,865. The net operating expenses total \$20,770,745.

Revenue, expenditure and funds balance amounts

Revenue highlights

Administrator Lobaito reviewed the revenue highlights. Operating funds are down 10.6%. Water & Sewer Fund includes \$250,000 increase in the depreciation fund. Sales tax revenues are down 10.6%. State income tax revenue continues to lag. Development revenues are down 86%. \$100,000 in anticipated revenues from the landlord registration ordinance has been included, as have \$31,000 in Centennial donations, plus \$642,000 from the TIF increment. An increase in the 911 fund per line rate of 25¢ has also been included. Administrator Lobaito pointed out that the landlord registration revenue and 911 rate increase are the only new revenue sources.

911 funding

911 future funding was discussed. An increase of 25¢ per landline will generate \$46,000. Administrator Lobaito reported that the 911 fund can assess a maximum of \$1.25 per landline. The current charge is 50¢. Mundelein residents have approved, by referendum, a 75¢ charge. The current budget anticipates an increase from 50¢ to 75¢. To increase any further, a referendum would be required.

The State of Illinois collects 58¢ per line for wireless providers, which is paid to the 911 fund. This source of revenue is scheduled to be eliminated in 2013. 60% of the funding for the 911 fund comes from the wireless component.

Revenues down

In short, revenues from all sources are down \$906,053, or 2.3%. Operating revenues, however, are down \$2,472,639, or 11.6%.

Water & Sewer Funds

Water & Sewer Fund revenues were reviewed. The budget anticipates a water/sewer rate increase of 12.5%. Water and sewer revenues are up \$198,203, or 2.9%. There is a 7% increase in the JAWA rate, a 6.6% decline in total billing units, plus \$250,000 payment to depreciation included in the water/sewer operating budget.

Special Fund
Revenues

The Special Fund revenues were reviewed. Special Fund revenues were up \$1,368,383. Special revenue funds include TIF, water/sewer depreciation, Canadian National transportation contributions, IMRF, CDBG, social security, and police pension.

Summary of
expenditures

Administrator Lobaito summarized expenditures. Overall operating expenditures are down \$94,376, or .02%. At this point, no change in the pay plan has been included in the budget. Non-union salary increases of 3% have been included, as have all step increases, and a 4% union increase has been included. Changes in the insurance plan have resulted in a health, life and dental insurance reduction of \$640,000. Salary and benefit increases account for approximately \$730,000 increase in the operating budget.

Administrator Lobaito reviewed the water/sewer rate calculation formula. The proposed minimum bill will be \$43.58, the senior discount portion will be \$13.04.

Water/Sewer Rate

Special Fund expenses and change from prior year were reviewed.

Special Fund expenses

Administrator Lobaito reported that in the operating budget, there are no capital expenditures greater than \$10,000. In the water and sewer budget, capital expenditures greater than \$10,000 include a transfer of \$250,000 to depreciation, and an IEPA loan payment of \$350,780.

Capital Expenditures

Trustee Cancelli raised questions regarding the crack sealing program. Deputy Director De Vito explained the program. Trustee Voss questioned whether or not the budget was too short on infrastructure investment and would result in problems in the future. Administrator Lobaito acknowledged that this is a concern. Revenue enhancements for 2011 will most likely be needed to avoid falling behind. He suggested a discussion on revenues be scheduled for the summer.

Questions re: crack sealing program

Director Hatton noted that the severe loss of development fees and reduction in development projects will have an impact in the years ahead.

Loss of development fees impact

Trustee Cancelli asked if there were ways the Village could capitalize on the current low interest rates. This stimulated a discussion on municipal bonds and anticipated federal changes to the bond provisions.

Discussion re: municipal bonds

Trustee Voss asked if funding has been included for MainStreet. She suggested. She suggested that it be cut. There were no further questions.

MainStreet funding

Chairman Sullivan summarized the discussion. He concurred that the overall philosophy of this year's budget to maintain current service and staffing levels is sound. He suggested an examination of fuel usage. He reiterated his concern with rising real estate taxes and his position that rising increases in development should serve to lower the tax rate, not increase it.

Summary of discussion

Motion by Cancelli, seconded by Sullivan, to adjourn at 7:55 p.m.

Adjourn

Minutes taken by Michael Flynn, Deputy Village Clerk.

Minutes approved by Chairman's signature: _____

Minutes filed with the Village Clerk on: _____, 2009

Initial: _____

