



**2 LAGOON DRIVE - HAWTHORN WOODS, ILLINOIS 60047 - (847) 438-5500**

**THE VILLAGE OF HAWTHORN WOODS  
FINANCE COMMITTEE SPECIAL MEETING  
MEETING MINUTES  
DECEMBER 12, 2006  
7:30 P.M.**

**I. CALL TO ORDER AND ROLL CALL**

Meeting was called to order at 7:30 P.M.

Attending: Steve Dugan  
Doug Samz  
Bob Sarley  
Jim Silvers, Trustee

Absent: Bob Geary

Also  
Attending: Jim Krischke, Village Administrator  
Nancy Caine, Finance Director

**II. OPPORTUNITY FOR PUBLIC TO ADDRESS THE COMMITTEE**

None this month.

**III. APPROVAL OF THE MINUTES FROM THE DECEMBER 12, 2006 MEETING**

A motion was made to approve the November 8, 2006 special meeting minutes by Mr. Sarley. Seconded by Mr. Dugan.

On a voice vote the motion carried.

**IV. NEW BUSINESS**

## **A. Review of the Aquatic Center Operating Budget**

Mr. Krischke explained that the operating budget the Finance Committee members had received, based on Burbach's preliminary study and input from surrounding communities with pools, was updated. The updated versions included some changes and suggestions by Mayor Hunt, more fine-tuned utility and labor costs, and varying scenarios depending on different rate and volume mixes. Mr. Krischke voiced that although he was confident the numbers reflected were solid, it was important to note that the first year of operations would be more challenging to estimate. Mr. Dugan noted that the lack of a contingency plan was of concern if the projections were significantly off. Mr. Krischke explained that the assumptions used in preparing the budget aired on the conservative side, for that reason. He noted that the budget was based on a major assumption of total attendance of 31,000 as reflected in the Burbach study. Mr. Sarley questioned what demographics were used to base the attendance with regard to its draw from the Village vs. extraneous traffic. Mr. Krischke explained that Burbach had done a study of the surrounding radius of the pool to arrive at the annual attendance number of 31,000, which appeared to be a conservative estimate in relation to surrounding area pool attendance. Mr. Samz asked if the pool construction was on target and would be open by June 1<sup>st</sup>. Mr. Krischke explained that it was anticipated that the state permit for the building would be issued by the end of the week and the pool permit, by Christmas. A few other permits are still pending, but it appeared that the construction was still on target, weather-permitting. Mr. Dugan questioned how the season passes would be handled, if the pool was not complete on time. Mr. Krischke responded that there are a few ways of treating the situation, including discounting the passes up front, prorating the passes or charging full price and offering a discount in the following year. The method has not been determined.

Mr. Dugan asked what the worse case scenario was with regard to revenue and expenses and what was the Village's tolerance for running the aquatic center at a deficit. Mr. Krischke answered that the worse case scenario for revenue would be if only the only season pass revenue was realized, but since the operating budget contained conservative revenue and expense projections, it was not anticipated that the aquatic center would run at a deficit. Mr. Samz asked what the park manager job duties would be. Mr. Krischke explained that the mayor and park board were in favor of hiring a full time park and recreation director to oversee the aquatic center operations and to manage the growing park programs. The park manager salary would be allocated 50% to the aquatic center and 50% to park and recreation. Mr. Silvers asked where park and recreation would have money to fund a portion of the new position salary since the Park Board had committed (almost 100%) of its revenue to paying off the debt created to construct the aquatic center, and that that revenue was not materializing at the rate expected. Mr. Krischke agreed that park donations were not materializing at the rate projected, but that the assumption built into plan was that 60% or 70% of the park donations, as opposed to 100%, were committed to pay off the construction debt. This assumption will offset any deficit created due to the timing of park donations coming in. It was agreed that the allocated portion of the park director salary will have to come out of general fund revenues. Mr. Krischke pointed out that with the development of park and recreation

programs in FY08 and FY09 (incl. Woodchuck's) will come additional program fees to support additional park costs.

Mr. Silvers commented that the budget was not a complete view of the project since the debt service portion was not included. Ms. Caine said that this view was intended to reflect the operations in an effort to set the fee schedule and not to view the project costs in whole. Mr. Silvers commented that it would be a better representation if those costs were included.

Mr. Silvers questioned the capital reserve amount of \$15,000 and how it was supported. Based on cost of \$3,000,000 and a 40 year life, Mr. Silvers recommended an annual capital reserve contribution of \$75,000. Mr. Samz concurred, pointing out replacement cost differs from depreciated book value. Ms. Caine pointed out that the net income is an amount that can be viewed as an available source for capital improvements. A motion was made that operational surplus from the aquatic center operations will be earmarked for a capital reserve used for aquatic center capital improvements. Seconded by Mr. Samz.

On a voice vote the motion carried.

Mr. Dugan questioned the absence of a sewer expense in the budget. Mr. Krischke explained that Mayor Hunt is working with Aqua to do a pump and haul program. At this time, it is anticipated that the aquatic center will not have to incur the expense, although there is still potential that there may be a one-time charge.

Discussion focused on the structure of season passes. The Committee approved of the rate structure as follows, subject to mayor and Park Board approval - Season Passes for Resident Family-\$200, Non-Resident Family-\$375, Resident Individual-\$100 and Non-Resident Individual-\$200 and Daily Admission for Resident Adult-\$8, Resident Youth/Senior-\$6, Non-Resident Adult-\$12 and Non-Resident Youth/Senior-\$10. The Committee also recommended an Early Bird Special to encourage early purchase of season passes. Mr. Samz questioned whether residents would receive priority over non-residents. Mr. Krischke responded that although residents are offered a lower rate, entrance to the pool would be based on a first-come-first-served basis. Mr. Dugan brought up the issue of rates for seniors. It was determined that, as in other communities, seniors would be offered a daily discount, but not season pass discount. Age 55 and over would qualify as seniors. It was also agreed that ages 4-15 qualify as youths and 16 and over qualify as adults.

In order to make up the loss bringing the capital reserve up to \$75,000, it was determined that the attendance assumption of 31,000 would be increased to 35,000 which is still a conservative estimate based on neighboring communities attendance.

Mr. Silvers questioned the concession royalty amount, as it appeared low. Mr. Krischke answered that the revenue estimate was a conservative one, and there was considerable upside available depending on the how the contract is negotiated.

## **B. Tax Levy**

Ms. Caine presented the 2006 tax levy with focus on the new growth in the EAV amount and the SRACLC levy amount. She explained the calculation for new growth that was done in-house amounted to approximately \$13-\$14M in EAV. As it is critical to overestimate the new growth when submitting the tax levy to the County, Mayor Hunt recommended that \$25M in EAV, which equates to \$75M in market value, for new growth be submitted. The SRACLC amount was also increased by \$10,000 from the amount required for handicapped accessibility improvements. Ms. Caine anticipates that the tax levy extension will amount to an increase between 4% and 5%.

A motion was made to approve the 2006 Tax Levy by Mr. Sarley. Seconded by Mr. Dugan.

On a voice vote the motion carried.

## **C. Credit Card Update**

Mr. Krischke reviewed the current practice and policy regarding credit card processing. He solicited input from the Finance Committee members as to whether they would be on board with a credit card policy revision that incorporated an "expense detail" schedule for those purchases that are not commodities. The schedule would detail the expense, its business purchase, date, location and list people in present. Mr. Sarley commented that as long as the Village was reimbursing employees on a timely manner, there should be no reason for credit cards. Mr. Samz and Mr. Dugan concurred. Ms. Caine commented that although eliminating credit cards would alleviate the burden of administering them, it was a step backward. She felt the emphasis should be on putting the proper controls in place to keep them. Mr. Dugan suggested the issuance of Purchase cards, limited by dollar amount and vendor, for the purchase of commodities. For travel and entertainment expenses, he suggested to revert to personal credit cards with reimbursement by the Village. Recent findings with regard to the weaknesses in the current internal control structure were discussed. This led to discussion of the potential downsides to credit cards, including lack of proper documentation and the potential for unbudgeted and illegitimate expenditures. Mr. Krischke emphasized the need for public officials and department heads to have access to Village credit cards. Mr. Sarley suggested that the credit card policy and procedure remain as is for a twelve-month period, with an emphasis on receiving proper documentation. Mr. Krischke suggested that he would address the issue with Sikich and come back to the Finance Committee with staff recommendations.

## **D. Review of General Fund November 2006 Revenue and Expenses**

The Finance Committee reviewed the November 2006 Revenue and Expense Report. Ms. Caine commented that although select expense accounts were running over budget, it appeared that they would be offset by other accounts running under. Revenue however was a concern, particularly accounts that were tied to the slowdown in the building

industry. Mr. Samz questioned what the management fee was. Mr. Krischke explained that it is a \$250,000 fee from Kemper for the construction of a water line and the right to connect to the water system managed by Aqua. It was Mr. Krischke further explained that the fee, although still realizable, may be deferred to FY08.

**V. OLD BUSINESS**

None

**VI. ADJOURNMENT**

On a motion by Mr. Sarley, seconded by Mr. Dugan, the Finance Committee adjourned at 9:15 PM.

Respectfully submitted,

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Doug Samz, Chairperson

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Nancy Caine, Finance Director