



**THE VILLAGE OF HAWTHORN WOODS
FINANCE COMMITTEE MEETING MINUTES
MARCH 13, 2007
7:00 P.M.**

I. CALL TO ORDER AND ROLL CALL

Meeting was called to order at 7:07 P.M.

Attending: Steve Dugan
Bob Sarley
Jim Silvers, Trustee
Bob Gerry, (arrived at 7.45)

Absent: Doug Samz

Also

Attending: Jim Krischke, Village Administrator
Nancy Caine, Finance Director
Jennifer Paulus, Police Chief

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 December 12, 2006 meeting minutes by Mr. Sarley.
Seconded by Mr. Dugan.

On a voice vote the motion carried.

IV. NEW BUSINESS

A. Update Aquatic Center Construction and Operating Budget

Mr. Krischke presented an update of the Aquatic Center project. He explained that the project that began in 10/05 with a \$3,500,000 contribution from Toll Brothers had undergone several transitions. Burbach Aquatics performed a feasibility study over the winter months, but in March 2006, it was determined that the pool construction contract be awarded to Schaeffges Brothers with Pathmann performing the architectural and construction management functions. Cost estimates, which were presented as early as July of 2006, had also changed, as building size and design changed, and enhancements including landscaping and decking were added. Mr. Krischke presented a schedule of projected Aquatic Center costs at \$5.1M and explained that the project was running very close to that projection at \$5.2M. He went on to explain that at the last Village Board meeting, the Board acknowledged that with a project of this magnitude, moving at such a quick pace, it is often difficult to pin down exact costs. Mr. Krischke went on to explain that \$5.6M is the amount that the project is projected to run with additional enhancements including parking lot paving, landscaping and overtime. He also added that Trustee Silvers requested that the Board set a cap to be put on the project, which was determined to be \$5.9M.

Mr. Silvers voiced that it was his feeling that majority of the Board were not necessarily comfortable with what had transpired, but they understood the numbers, the magnitude of the project and the narrow timeframe to complete it. He commented that Jeff Pathmann has done a commendable job. He also reiterated that the Park and Recreation Committee had no problem allocating park donations to this project. He commented that the original plan to structure the financing over five years no longer works as the amount of the projected loan has increased from \$750,000 to a range of \$1.9M to \$2.2M. A ten-year payback is now more workable. He questioned whether any money is expected to come out of the General Fund initially to fund construction costs before the loan is structured. Finance Director Caine said that the plan is that no General Fund money will need to be utilized. The Village expects to obtain a line of credit and once the amount is set, to convert it to a fixed loan.

Mr. Sarley questioned what would happen if the cap were reached. Mr. Silvers responded that "extras" would not be considered after that amount was reached. Mr. Krischke explained that going forward a special board meeting has been scheduled (first Monday of each month) in addition to the normal scheduled Board meeting, to keep the Board abreast of any changes. Any contract change orders would be presented to the Board at those meetings.

Mr. Krischke went on to explain that there may be some cost savings in some of the projected contracted amounts, including the phasing in of some of the add-ons. One area is the paving of the parking lot. The bid from Peter Baker for SSA roadwork included a bid to pave the Aquatic Center parking lot. It came in lower at \$99,000.

Mr. Sarley asked what backed the loan. Mr. Krischke explained that staff met with Cambridge Bank a day earlier and they were looking into whether the loan could be structured based solely on park donations. Mr. Sarley asked who would have to approve backing the loan if General Fund money needed to be pledged. Mr. Silvers

responded that the Village Board would. Mr. Krischke added that this loan would require Board approval. The bond counsel would require a source of funds to back the loan, and probably a secondary source of funds, which may be General Fund revenue.

Mr. Silvers asked to confirm that the lower bid for the paving of the Aquatic Center parking lot from Peter Baker was not a function of shifting expenses to the SSAs. Mr. Krischke confirmed that the contracts were bid separately and that there was no shifting in expenses.

Mr. Dugan asked how the changes that were mandated by state requirements were missed in the original projections. Mr. Krischke responded that basically they were missed due to the quick pace the project dictated. But he added that other areas ran under the original projections to offset these overages and kept the total project costs in check. Mr. Dugan questioned the cost of the overhead service door and Mr. Krischke explained that the cost included a service drive and service area.

Mr. Dugan asked clarification regarding the park donation amounts. Mr. Krischke explained that developments approved before the park donation amount increased were calculated on the lower amount of \$6,075. Mr. Dugan asked what methodology was used to project the progression of the lot development. Mr. Krischke responded that it was based on staff's best estimate based on input from the developers. In addition, the amounts were scaled down to reflect the dip in housing starts in order to project a conservative estimate. He added that this does not include other potential developments such as Midlothian Corridor, the Taxman site, and the Alberts parcel.

Mr. Silvers explained that the position of the Park and Recreation Committee and the Village Board is that the Village will no longer accept additional land for parks, but only money. He questioned whether the Park and Recreation Committee has gone on record with that intent. Mr. Krischke responded that although it has never approved through a formal motion, that it clearly been on record as their intent. The Park and Recreation Committee has been moving in the direction toward maintaining larger parks, instead of smaller pocket parks throughout the area. Mr. Krischke said that he would pursue putting this intent in motion form.

Mr. Gerry arrived at 7:45.

For Mr. Gerry, Mr. Krischke summarized what had transpired in the meeting. Mr. Gerry asked what the anticipated loan rates were. Mr. Krischke responded approximately 7.5% if a conventional loan and approximately 5.5% if the loan qualified as tax exempt. Mr. Gerry asked where the park donations would have been utilized, if not earmarked for this purpose. Mr. Krischke explained that the Park & Recreation Committee had not identified any specific use for the park donations, and went on to explain that they had dedicated only 80% of the donations, so that the remaining amount could be used to maintain the existing parks.

A motion was made to recommend funding the Aquatic Center Construction thru the use of a line of credit, not to exceed \$2.2M, to be converted to a 10-year fixed rate loan, with an interest rate not to exceed 5.5% if tax-exempt and not to exceed 7.9% if conventional, at the conclusion of the construction project.

Mr. Sarley commented that he would not vote for the motion unless it provided that the loan would be paid entirely by park donations without using General Fund money to back the loan. Mr. Silvers commented that although the loan would be paid from park donations, the bank might require that the Village guarantee the loan. Mr. Krischke concurred that a secondary revenue source may be necessary to secure the loan and to obtain a lower interest rate. Mr. Krischke offered that the motion include a clause to the effect that if necessary, General Fund money be used to secure the loan, and if funds from the General Fund were used, that the Park and Recreation Fund, pay back those funds to the General Fund with interest.

A motion was made by Mr. Gerry to recommend funding the Aquatic Center Construction thru the use of a line of credit, not to exceed \$2.2M, to be converted to a 10-year fixed rate loan, with an interest rate not to exceed 5.5% if tax-exempt and not to exceed 7.9% if conventional, to be paid back with (not more than 80% of) future park developer donations. If General Fund moneys are used, those funds will be repaid from Park and Recreation Fund park donations with interest. Seconded by Mr. Silvers.

On a voice vote, the motion carried.

B. Review of 07/08 Budget

Finance Director Caine presented the highlights of the FY08 budget. She commented on the critical need for looking for new revenue streams as balancing the FY08 relied heavily on building revenues. The Finance Committee members concurred and commented that this issue had been identified already. Ms. Caine went through the major budget highlights, which included funding the police pension at the required contribution per the actuarial recommendation, the purchase of two squad cars and two public works vehicles, the continuation of the mosquito abatement program, the purchase of a snow blower tractor, business park lights, and four personnel additions. She pointed out that the budget allowed for a \$165,000 addition to the reserve. Mr. Krischke pointed out that on the revenue side, some of the annexation and general fund donations are structured, to flow in up front as opposed to coming in with the building permit. Ms. Caine added that connection fees were not factored into the budget. Mr. Gerry asked what salary assumptions were factored into the FY08 budget. Mr. Krischke responded that an overall 3% salary increase was included for all employees except the Police Department. Chief Paulus explained that due to the union situation, salary increases for the patrol officers are frozen until they are negotiated. The proposed budget includes an increase for the Chief, commander, sergeants and administrative assistant. Mr. Gerry asked what percent of funding the proposed police pension contribution would obtain. Mr. Krischke and Ms. Caine responded that they did not have the exact

percentages on hand, but the contribution will bring the funding up to the level recommended by the independent actuary. Mr. Krischke explained that tasers were one item removed from the proposed budget. He went on to say that the issue will be presented to the Board at the next meeting and it will be a Board decision as to whether to add tasers back into the budget.

Mr. Gerry asked if a capital replacement reserve amount was included in the proposed budget. Mr. Krischke responded that a capital reserve amount was included in the Aquatic Center Operating budget, but not in the General Fund budget. Mr. Gerry asked whether there was a long term plan or budget concept in place. Mr. Silvers commented that the issue of long term planning was a continuing discussion and that the capital replacement/depreciation needs were closely tied to the concern over identifying new revenue streams. Mr. Krischke explained that the proposed budget, in the new format and detail, was the first step toward developing a long-term plan. Mr. Silvers stressed that the importance of identifying and quantifying the depreciation amount and the Village's need to contribute to a reserve at that level in order to maintain the Village's assets.

Mr. Dugan asked what highlights and surprises may be included in the proposed budget. Ms. Caine responded that the points that were presented earlier were the main highlights and that the rest of the budget was primarily normal operating costs. Mr. Krischke commented that there might be some items that surface, one example being the Toll Brothers contribution for fireworks and entertainment in the parks. The amount, although not driven by a written agreement, is included in the budget.

Mr. Dugan asked for a commitment that staff would, within the next two years, begin to budget for a capital replacement reserve amount. Discussion ensued regarding the relationship between the capital replacement/depreciation amount and new revenue streams. Mr. Krischke said that the development of a five-year plan (which included identifying/quantifying a necessary amount to commit for capital replacement and the generation of new revenue streams) was an attainable goal.

Mr. Krischke informed the Committee that the Village was awarded the GFOA's Certificate of Achievement for Excellence in Financial Reporting.

V. OLD BUSINESS

None

VI. ADJOURNMENT

On a motion by Mr. Silvers, seconded by Mr. Gerry, the Finance Committee adjourned at 8:47 PM.

Respectfully submitted,

Doug Samz, Chairperson

Nancy Caine, Finance Director